FINANCIAL TIMES

World Business Newspaper — MONDAY OCTOBER 9 1995 — D8523A

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Alain Juppé's sea of troubles

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Blow for Major as former minister defects to Labour

Former British Conservative minister Alan Howarth (left), who defected to the opposition Labour party at the weekend, said yesterday that as many as 40 Tory MPs shared his feeling that the party had drifted too far to the right. Mr Howarth's defection – the first time a Conservative MP has switched straight to Labour – delivered a severe blow to prime minister John Major just before the Tories' annual conference and cut his House of Commons majority to just seven. Page 22; Defectors to Labour, Page 6; Editorial comment, Page 21

Bomb blast in Paris: A bomb exploded on a deserted railway line in a western Paris suburb – the latest in a spate of bombings which have killed seven people in France since July. As police began probing the latest attack, it emerged that President Jacques Chirac received a letter two months ago in which the Algerian anti-government Armed Islamic Group claimed responsibility. Page 22

Battle for Aran hots up: The fight for control of Irish oil exploration group Aran Energy looks likely to turn into an auction this week. A higher offer expected from Atlantic Richfield of the US may be topped by Norway's state oil company Statoil. Page 23

Norway, Iceland want to join Schengen: Norway and Iceland want to join Europe's frontier-free zone by joining the Schengen agreement. Neither is a European Union member and EU rules would normally exclude them. But exceptions could be made to preserve the deal which has made Norway, Finland, Sweden, Denmark and Iceland a frontier-free zone for four decades. Page 22

Bata executives resign in row: Three senior executives have quit Canadian-based Bata, one of the world's biggest shoemakers, after strategy differences with Tom Bata, the octogenarian whose family owns the company. Page 23

Israel frees prisoner: Israel freed one Palestinian woman from jail, but others due for relase under the Israel-PLO accord remained behind bars after refusing to promise not to take guerrilla action against Israel. Meanwhile the PLO's Palestinian Authority freed senior Hamas leader Mahmoud al-Zahar, jailed in June after attacks on Israelis.

Russian prosecutor quits: President Boris Yeltsin accepted the resignation of Alexei Ilyushenko, Russia's top prosecutor. Ilyushenko had drawn widespread criticism and parliament had refused to confirm his appointment. Page 2

Caspian oil compromise: Oil companies developing Azerbaijan's offshore Caspian fields will today announce a compromise deal on transporting the oil. Part will be piped through Russia and part through Georgia. Page 2

China protests over trade claim: Beijing accused the US of exaggerating its trade deficit with China and demanded Washington rectify what it called distortions. The US said its 1994 deficit was \$30bn while China argued its surplus that year was \$7.4bn. Page 3

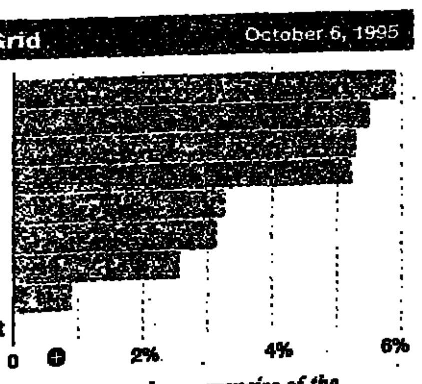
Mid-East bank on track: Principles for setting up a Middle East and North Africa development bank are expected to be set out in Amman at the end of this month despite European Union scepticism. Page 4

Japan braced for resignations: Japan is braced for resignations today. Daiwa Bank Executives are expected to take responsibility for Y110bn (\$1.1bn) in bond losses in New York, and the country's justice minister is likely to quit for allegedly borrowing from a Buddhist group. Page 5

Circus leaves town: A Russian circus stranded in the southern Philippines without money is going home, having lived on Filipino charity for seven months after a dispute with a promoter. A Russian cargo aircraft is due to fly performers and animals home on Thursday.

European monetary system: The main development in the EMS last week was the sharp fall in the French franc which forced the Bank of France to take measures to defend it. Against a general backdrop of D-Mark strength, the spread between strongest and weakest currencies in the grid widened. The only change to the order was the Danish Krone and Spanish peseta swopping places. Currencies 31

EMS: Grid — October 6, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

IMF set to get more crisis cash

Group of Seven finance ministers back further intervention to support dollar

By Robert Chote, George Graham and John Gapper in Washington

The Group of Ten leading industrial nations yesterday proposed a plan which would allow the International Monetary Fund to borrow an extra \$26bn to cope with a Mexico-style financial crisis.

The G10 proposal followed a meeting of G7 finance ministers and central bank governors at which they signalled a readiness to intervene again in the foreign exchange markets to achieve a stronger dollar.

The G7 statement may not prove sufficient to stop the dollar coming under renewed selling pressure when markets re-open today.

"I doubt by itself it is going to discourage people about taking a rather dim view of the dollar and non-German European currencies," said Mr Steve Hannah, head of research at IBJ International in London.

The IMF's policymaking interim committee yesterday discussed the G10 proposal and was expected to support it. Informal approaches will then be made to potential participants, most of which would be developing countries with healthy balances of payments and foreign exchange reserves.

At the heart of the proposal by the G10 finance ministers and central bank governors is a plan to expand the "general arrangements to borrow", through which the IMF can already borrow about \$26bn from the G10 members plus Saudi Arabia.

The proposed parallel arrangement would be of equal size and will be set up with the existing G10 countries and up to 15 or 16 other nations offering credit lines to the IMF. The new credit line would be available if intervention was necessary to cope with a crisis threatening the international financial system.

Mr Kenneth Clarke, UK chancellor of the exchequer, said the G10 was not just looking for money from new participants but also contributions to discussions on world economic and financial issues. But Mr Pedro Malan, Brazilian finance minister, has observed privately that the two-tier structure risks distinguishing between the "aristocracy" of the G10 and the "proletariat" outside.

A communiqué issued after the G7 meeting welcomed "the orderly reversal in the movements of the major currencies" and said G7 ministers and governors would welcome a continuation of these trends consistent with underlying economic fundamentals. "They reaffirmed their commitment to reduce imbalances and to co-operate closely in exchange markets," it added.

Analysts said the statement would soon need to be backed up by concerted central bank intervention, and suitable policy changes, if scepticism about the extent of G7 commitment to a stronger dollar was not to deepen further.

Intervention, however, may be some time in coming. Central banks are unlikely to buy the dollar until the market has shown some sign that it is ready to push the currency higher. Yesterday, Mr Lamberto Dini, Italian prime minister, said concerted G7 action to strengthen the dollar against the yen "is not currently under consideration".

But Mr Robert Rubin, US Treasury secretary, hinted at the weekend at the possibility of further co-ordinated central bank support: "We are prepared to co-operate with other countries as we have done in the past".

G10 attacks high government borrowing, Page 4
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Milan warrants threaten big Italian merger

By Robert Graham in Rome

The controversial merger to form Italy's second largest private group has been thrown in doubt following the issue of court warrants to investigate ten executives over the alleged falsifying of accounts in Gemina, the main vehicle for the transaction.

The warrants, formally notifying the executives of the investigation, were issued by Milan magistrates late on Saturday. Three were for the leading figures at Gemina, the quoted investment company whose shareholders comprise all Italy's traditional business dynasties.

The shareholders include Fiat, the automotive group controlled by the Agnelli family, Generali, the insurer, Mediobanca, the powerful Milan merchant bank and Pirelli, the tyre and cables group.

Consob, the stock exchange watchdog, is due to meet before the markets open this morning to decide whether to suspend Gemina shares and those of other quoted companies linked to the merger with Ferruzzi Finanziaria (Ferfin), the holding company that controls the Montedison industrial group.

The magistrates' move followed investigations into the accounts of Gemina and its subsidiaries, in particular those of the RCS publishing business, largely responsible for group losses of almost L800bn (\$496m) in the past 18 months.

Mr Giovanni Agnelli, the chairman of Fiat, which is the main Gemina shareholder, was quoted as saying: "The warrants as such do not mean very much: we must see what they are really about."

The merger, unveiled on September 1, is a complex piece of financial engineering masterminded by Mediobanca. It involves Gemina absorbing Ferfin, with Fiat also injecting four of its quoted chemicals companies into the group.

No cash is due to change hands. The new group would control Montedison and its interests would span agri-business, chemicals, concrete, clothing and publishing, with a total annual turn-

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Eurotunnel may seek guarantees from UK and France

By Andrew Jack in Paris

Eurotunnel, operator of the Channel tunnel, is considering calling on the French and UK governments to provide sovereign guarantees for at least part of its \$13bn debt.

It is also contemplating legal action against both governments if they fail to come up with measures to improve its competitive position in the cross-Channel battle with the ferry operators.

The options are being considered as Eurotunnel prepares a restructuring plan which it aims to present to its 225 banks by the end of January. Its financial crisis has forced it to suspend interest payments.

Mr Patrick Ponsolle, joint chairman of Eurotunnel, said the company would use "every means to seek compensation" in view of what he saw as unfair competition with the ferry companies over safety issues, duty-free sales and the bureaucracy of the inter-governmental commission which regulates Eurotunnel.

Commenting on current discussions with the two governments, Mr Ponsolle said Eurotunnel was not asking for taxpayers' money or government subsidy. But he added: "There are many ways in which they could help us to achieve a Triple A rating by restoring a proper balance."

He and Sir Alastair Morton, Eurotunnel's other chairman, had been talking to the two governments since the spring. "I think we are beginning to be heard, maybe even understood."

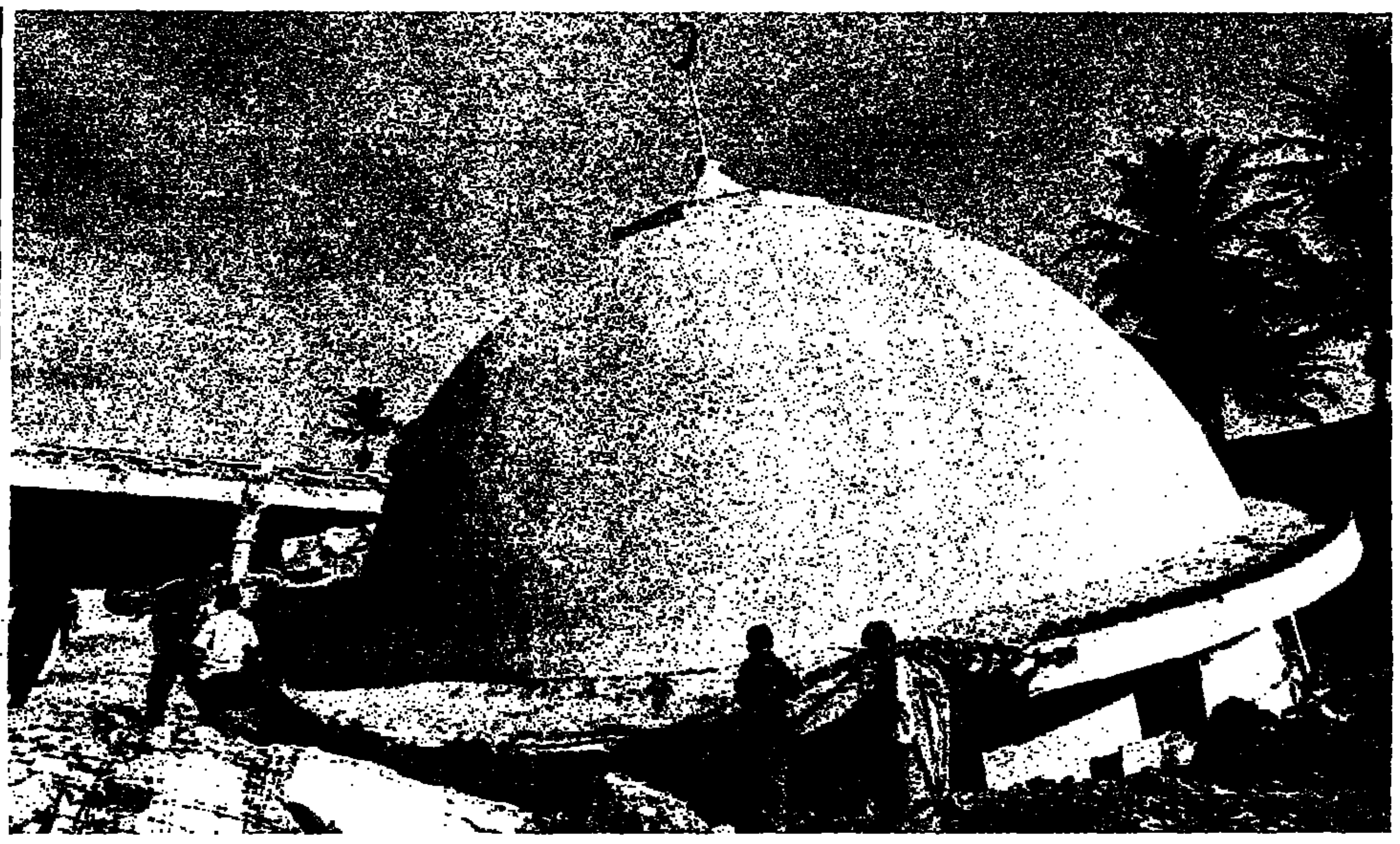
He estimated the chances of success of the restructuring plan at one in two, which he said was "sufficiently realistic to be worth fighting for". If it failed, he said, the alternative would be "a massive surgical act such as a large debt forgiveness or a very large debt-for-equity swap".

Mr Ponsolle warned that shareholders may yet be required to suffer more pain as part of the plan, but only after others – creditor banks, contractors, national railway companies and governments - had done so.

He also called "inadmissible" a clause in the original 1987 contract, giving Eurotunnel the right to operate the channel tunnel concession, which demands a 2 per cent cut in real terms each year in fees levied on the national railway companies.

The railways needed to keep second class fares at the lower levels recently introduced to maximise passenger numbers, but he said they could still afford a 50-60 per cent increase in the fee currently levied by Eurotunnel on each passenger.

Eurostar to Brussels, Page 17
Banks count the cost, Page 23
Ponsolle looks to long term, Page 25



Villagers examine a collapsed mosque in Sumatra, Indonesia. Fresh tremors caused more panic yesterday at the scene of an earthquake which killed at least 78 people on Saturday. A 41-member medical team was flown from the capital, Jakarta, to the remote mountain region around the north-west Sumatran town of Sungai Penuh to treat more than 2,000 injured. Saturday's earthquake, which registered seven on the Richter scale, was followed by after-shocks with a magnitude of 5.2 yesterday. Several tonnes of rice and other emergency supplies were flown into the worst-affected areas, where residents slept in tents pitched outside what was left of their homes.

US and Russia remain split on Bosnia peace plan

By George Graham in Washington, Bruce Clark in London and agencies

The US and Russia yesterday made progress but failed to bridge their differences over enforcing a peace settlement in Bosnia, Mr William Perry, the US defence secretary, said in Geneva.

A ceasefire was still expected to begin in Bosnia tomorrow, despite Mr Perry's failure, at a meeting with General Pavel Grachev, his Russian counterpart, to resolve longer-term issues over Moscow's role in implementing a peace plan.

Ministers from the Group of Seven leading industrial nations meeting in Washington at the weekend called for a study of the costs of reconstruction in Bosnia once a peace plan has been agreed by the warring parties.

There were reports of fresh fighting yesterday in central and northern Bosnia. In the worst single attack on Moslem civilians since August, at least six people were killed and 30 wounded near the UN safe area of Tuzla when a refugee camp was hit by a cluster bomb.

After the attack, Mr Haris Silajdzic, Bosnian prime minister, threatened to call off negotiations with the Serbs. He said if there were no international response to Serb attacks, then "I think there is no point to negotiations".

But, in Sarajevo, the Bosnian capital, preparations were under way to restore gas and electricity, in line with the conditions laid down for the Bosnia-wide ceasefire which is due to start just after midnight tonight.

Mr Perry said he and Gen Grachev had made "substantial progress" in their discussions about a Nato-led force due to be deployed in Bosnia if US-sponsored talks between the warring sides led to a settlement later this month.

The US has said it would be highly desirable, although not militarily essential, to secure the participation of troops from Russia and other non-Nato nations in the peace implementation force.

However, the US and other western nations are insisting that the peacekeepers should have a single chain of command, with Nato firmly in control, while Moscow wants control to be shared between itself and the western alliance.

"The differences between us on the command and control of the forces are difficult, I do not want to underestimate them," Mr Perry said yesterday.

In Washington, ministers of the Group of Seven leading industrial nations called for a study of Bosnia's reconstruction needs by the International Monetary Fund and the World Bank.

Mr Theo Waigel, the German finance minister, said that in the absence of peace it was not possible to put a figure on Bosnia's needs, but he warned the US that it should not expect Europe to foot the entire bill. "The money must be provided by the international community – by all international donors, not just Europe but the whole world donor community," he said.

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Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK\$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S\$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kč55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 30	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US\$1.50			Turkey	L80,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Çiller bargains for MPs' backing

By John Barham in Ankara

After two arduous weeks stitching together a new Turkish government, Mrs Tansu Çiller, the prime minister, today begins another week of horse-trading in an attempt to win a parliamentary vote of confidence.

Mrs Çiller ditched her centre-left ally, the Republican People's party, after two years as coalition partner in September. On Thursday, she announced a minority government consisting of her centre-right True Path party (DYP), but supported in parliament by the far-right Nationalist Action party (MHP) and the moderate Democratic Socialist party.

These parties, with 17 and 10 seats respectively, plus the True Path's 182 members, leave Mrs Çiller needing only three more supporters in the 422-member parliament. However, most observers agree that Mrs Çiller's government will probably be short-lived and that its scope for action will be limited.

The MHP and Democratic Socialists are political enemies – their gunmen fought street battles in the late 1970s – and are united only in short-term aims. True Path is rent with divisions. Rebels claim a dozen members will oppose Mrs Çiller when the vote of confidence is taken on Sunday.

Attention this week will therefore focus on the price Mrs Çiller must pay for remaining in office. To begin with, the MHP's leader, Mr Alparslan Türkeş, a former army colonel, and the DSP's head, Mr Bülent Ecevit, a former prime minister, want the government to end a public sector strike now in its third week.

Although Mrs Çiller has gradually increased her offer to the 330,000 strikers, who are demanding large cost of living increases, she still refuses to meet their full demands. A settlement will be seen as a political barometer.

According to press reports, Mr Türkeş also won demands for his followers to be appointed to senior government posts. Both he and Mr Ecevit are also believed to be demanding use of government equipment to prepare for elections that must be held within a year.

If Mrs Çiller is successful in Sunday's vote, her aims are likely to be limited to clinching a long-sought customs union with the European Union and maintaining the economy in its present state of precarious equilibrium.

True Path strategists say that conclusion of the customs union would ensure Mrs Çiller's popularity. However, the European parliament, which is to debate ratification of the customs union in mid-December, has demanded changes to Article 8 of Turkey's anti-terrorism law, which is used to suppress even non-violent expression of Kurdish nationalism.

Mrs Çiller needs only a simple majority in parliament to change Article 8. But the MHP, many True Path politicians and the conservative opposition Motherland party all object to relaxing the law.

Debate rages over 'tentacles' of Gazprom

By John Thornhill in Moscow

Proposals from Russia's anti-monopoly committee to break up Gazprom have sparked a heated debate within the government over the fate of the country's most powerful company, which controls one-third of the world's known gas reserves.

The committee's arguments have provided ammunition for the liberal reformers who are fighting to curb Gazprom's privileged status, raise its tax contribution to the federal budget and open it up to outside scrutiny. "Gazprom is a monster which has tentacles in every corner of power," said one radical economist.

But the company, which boasts a unique legal status and maintains close ties with several senior government ministers, has been fighting an effective campaign to maintain its current structure, ensuring that the committee's recommendations are unlikely to be acted upon soon.

In an internal government report outlining how greater competition can be injected into the Russian economy, the anti-monopoly committee recommends Gazprom should be broken up into several regional production and distribution units. It argues that the current industry structure leads to inefficient allocation of resources, stifles new technologies and hampers development of other energy sectors.

This concurs with an analysis of the International Energy Agency, which recently conducted a study of the Russian energy sector and recommended further liberalisation of the gas industry. However, the IEA did not expect any significant change of Gazprom's structure over the next five years. Government ministers have argued that their priority must be to maintain gas production. They are likely to defer any decision to restructure the gas industry until the economy has stabilised.

"We simply do not have the physical power to break up Gazprom, and radical privatisation would be a mistake before the economy is stabilised, inflation is tamed and the crisis of non-payments between companies has been resolved," said a government official.

The battle for control of Gazprom is part of a broader war being waged by the anti-monopoly committee to foster fair competition. "We are the police of Russia's new economy," said one committee official. Mr Leonid Bochin, chairman of the committee, founded by the government in 1990, said its work was changing as Russia's economy developed. The committee's original aim was to prevent Moscow's ministries, which ran the planned economy, from interfering in newly privatised companies.

"There was no competition in Russia for more than 50 years and it is a complex process to encourage it," he said.

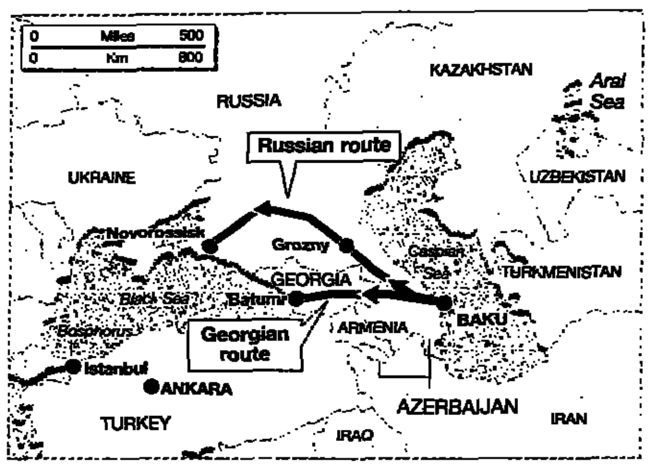
Mr Bochin said the committee now focused on controlling the "natural monopolies" – such as rail transport, gas production and distribution, and electricity supply – by restricting tariff increases. It also supervises remaining state monopolies.

The committee also regulates the advertising industry and tries to defend consumer rights. But the committee's vast workload, the lobbying power of Russia's privatised companies and the inexperience of its 300 central staff have presented Mr Bochin with a big challenge.

"Like Lomonosov [a renowned Russian scholar] we have had to create a new university to understand what is happening in the economy," said Mr Bochin.

Compromise deal today over Caspian oil route

By Steve LeVine in Baku and Bruce Clark in London



A consortium of oil companies developing Azerbaijan's offshore Caspian Sea fields will today announce a compromise decision, in line with US recommendations, to transport part of its initial output through Russia and part through Georgia.

The impending decision was confirmed by a senior government official in Baku, the Azerbaijan capital, who said: "There will be two pipelines and it will be announced on Monday."

The inclusion of a Georgian route, culminating in the Black Sea port of Batumi, reflects pressure from Washington and Ankara to send at least some oil in the direction of Turkey, in order to avoid Russian control over the flow of crude from the Caspian.

The decision on how to transport "early oil" from the Caspian, which will start flowing late next year, follows a 25-minute phone conversation last week between US President Bill Clinton and Azerbaijan's President Heydar Aliyev.

Initial Caspian output will be small – about 80,000 barrels a day – but the daily figure will eventually reach about 700,000 barrels, making the Sea one of the world's leading sources of energy next century.

The consortium, known as the Azerbaijan International Operating Company, includes British Petroleum, Pennzoil, Russia's Lukoil, Unocal, Turkish Petroleum, Norway's Statoil, McDermott International and Exxon.

A year ago the consortium signed an $8bn deal with the government of Azerbaijan to exploit Caspian oil. Caspian pipelines – along with arms control, non-proliferation, and the Balkan conflict – are among many areas where Washington is seeking to clear up misunderstandings with Moscow before a meeting in New York between Mr Clinton and President Boris Yeltsin in two weeks' time.

In his talk with Mr Aliyev, President Clinton "expressed his support for commercially viable... and multiple pipelines that would benefit the companies investing in oil development as well as all the countries of the region," a White House spokesman said.

The 1,400km Russian route – which will require construction of about 27km of new pipeline – goes through the heart of the Chechen war zone to the Black Sea port of Novorossisk. Securing control of Chechnya's oil refinery and pipeline network is believed to be one of the main reasons Russia launched its military offensive against the separatist enclave last December.

A western diplomat in Baku said the passage of at least some oil through the 926km Georgian route – of which 140km has yet to be constructed – would avoid a Russian stranglehold. "The oil should not all go to Novorossisk, because then there is one hand on the tap, and it is a Russian hand," he said.

Russia's earlier insistence on providing the sole route, and its objections to sending oil through Georgia, have appeared to soften recently as relations between Moscow and Tbilisi have improved.

Georgia appears hopeful of securing Russian help with the reconquest of the breakaway enclave of Abkhazia, in return for confirming the right of the Russian army to keep bases in the republic.

While the US was insisting earlier this year that Turkey be the main conduit for Caspian oil, its recent statements have reflected a desire to take the interests of both Russia and Turkey into account.

Washington has also been struggling to finesse differences between Russia and Turkey – which have a centuries-old history of rivalry and war – in the field of arms control.

US officials have with difficulty persuaded Turkey to accept a common Nato position that goes some way towards granting Russia's wish to keep more armour in its southwestern and northwestern regions than current treaties allow.

Nato's concessions would trim the boundaries of the "flank zones" in which Russian holdings of tanks and armour are restricted.

US Vice-President Al Gore had what he described as a "private in-depth discussion about a whole range of issues" with Russia's prime minister Victor Chernomyrdin in Bangor, Maine at the weekend.

EU looks to steer post-war relations in Balkans

By Lionel Barber in Brussels

The European Union, which has been playing second fiddle during the US-led drive to reach a settlement in Bosnia, is preparing to mount a diplomatic comeback. In the event of a ceasefire, the EU intends to push for a leading role in post-war reconstruction and fresh political and trade relations with the former Yugoslav states.

The EU initiative – which would complement Nato-led plans to implement a peace settlement between the Bosnians, Serbs and Croats – is viewed in Brussels as a litmus test of the Union's capacity to wield influence in the Balkans.

With France and Germany working in tandem, EU diplomats are confident about forging a common approach among the 15 member states and avoiding the kind of false steps made in 1991 when German pressure to recognise the breakaway republic of Croatia split the EU. However, several stumbling blocks have emerged as the initiative takes shape.

Britain would like the World Bank rather than the European Commission to co-ordinate aid to the region because the Commission's record in the Phare and Tacis programmes for post-communist eastern Europe is mixed.

The Commission suspects that the British government is pandering to Tory Eurosceptics' Brussels-phobia, but UK officials argue that the World Bank has far more experience. The issue is complicated by the Bosnian government being $400m in arrears to the Bank.

Second, member states and the Commission are unsure about the long-term relationship between the EU and the countries of the region: Bosnia and Hercegovina, the Serb-run rump state of Yugoslavia, Croatia, the former Yugoslav republic of Macedonia and Albania.

The issue turns not only on how to deal with the Serbs, widely condemned as the original aggressor, but more broadly on how to pursue co-operation and economic reintegration without prompting suspicions that the EU is trying covertly to re-create Yugoslavia.

Mr Carl Bildt, the special EU envoy, has called for a common set of agreements among all the states of the region not covered by "Europe agreements" – the Union's accords with central European nations which offer the perspective of future EU membership.

The result would be to exclude Slovenia but include Albania in the Balkan region. This would please Austria and Germany, which see Slovenia on a fast track to membership, and would offer the EU a framework for relations with the entire Balkan region from the south of Slovenia to the north of Greece.

Without these so-called "Balkan agreements", Mr Bildt has warned, the different countries will carve out their own paths to Brussels, undermining efforts at regional co-operation and increasing efforts to create a Greater Croatia, Greater Serbia or Greater Albania.

According to Mr Bildt, the Balkan agreements would include provisions on human rights and democracy as well as far-reaching trade provisions aimed at creating a Balkan free trade area.

France and Germany are also pressing for a European "High Representative" who would be responsible for arbitration and conciliation in interpreting the peace plan.

EUROPEAN NEWS DIGEST

West German output 'to slow'

Manufacturers in western Germany expect a marked slowdown in output growth next year, according to a survey from the Munich-based Ifo economic research institute.

A poll of 350 companies, employing more than a quarter of the region's manufacturing labour force, indicated that output would grow by an average of 2 per cent next year after nearly 5.5 per cent in 1995. However, during 1996 production should exceed the previous record level reached in early 1992 before the recession of 1993.

Ifo said the investment goods sector was expected to show the fastest output growth this year, for the first time this decade. It should continue to head the production growth league next year, albeit at a slower rate. Output of the raw material and production goods sectors would continue to grow until late 1996, when a decline is expected to set in. Output of consumer goods and consumer durables was expected to stagnate until the middle of next year, with production in labour-intensive sectors such as clothing and shoes suffering from plant closures and the transfer of production to low-cost areas abroad. *Peter Norman, Bonn*

French products threatened

Italy's health ministry has suspended sales of French cosmetics, yoghurt, cheese and other foods in several cities following anonymous threats to poison the products. A Rome newspaper and health officials in the Florence area reported receiving written threats that French cosmetics and food products on store shelves in Rome and in several Tuscan cities, including Florence, would be poisoned to protest at France's recent nuclear testing in the South Pacific.

At the weekend, the health ministry said sales of the French imports would be suspended at least until October 12 to give experts a chance to test various products for tampering or poisoning. So far, no adulterated products have been found. Health officials said products whose packaging would make it impossible to tamper with in a store, such as champagne, were exempt from the order. *AP, Florence*

Insolvencies high in France

European economic growth is picking up, but France remains a weak spot, according to a report released today. The survey by Cardiff-based NCM Credit Insurance, the world's leading private export credit insurer, found that the value of payments delays in the European Union had fallen by 15 per cent in the year to September, a slightly slower rate of decline than in the previous two quarters.

While the value of payments delays fell sharply in Italy, Spain and Portugal, by around 30 per cent, and by a modest 7 per cent in Germany, it rose by 3 per cent in France. The NCM survey said French insolvencies were the highest in Europe, and the negative impact of VAT increases would affect business and consumer confidence, possibly restraining growth next year. NCM figures found that exports to the EU had risen by 17 per cent over the previous 12 months, compared with a 3 per cent increase for the rest of the world, suggesting that exporters to Europe continued to benefit from competitive exchange rates. *Philip Gawith, London*

Horn in appeal to minister

Mr Gyula Horn, Hungarian prime minister, has refused to accept the resignation of Ms Magda Kovacs Kosa, labour minister, and asked her to reconsider.

Ms Kovacs Kosa, one of the cabinet's most experienced and able members, offered her resignation on Thursday after disagreeing with the finance ministry over changes in sick pay provision, part of deeply unpopular cuts in government spending. The austerity package, announced in March, has divided the ruling Socialist party and triggered the resignation of two other ministers.

Labour ministry officials said Ms Kovacs Kosa, a former communist-era trade union leader, no longer wished to be part of government decisions criticised by the constitutional court. In recent weeks, the court has thrown out several elements of the austerity package. *Virginia Marsh, Budapest*

Russian prosecutor sacked

Russia's top law official, who launched criminal proceedings against a television puppet show for portraying Mr Boris Yeltsin as a tramp, has been sacked by the president. The sacked official, Mr Alexei Ilyushenko, was appointed acting prosecutor general by Mr Yeltsin in February 1994 and aroused considerable controversy in his short time as head of Russia's judicial system. He was never confirmed in his post by parliament.

The sacking was seen by journalists as a small victory for press freedom in the run-up to December's parliamentary elections in which control of the airwaves is likely to prove crucial. But media commentators balanced their praise for Mr Yeltsin's decision with a warning that other television stations were coming under government pressure.

Russian Public Television, the main television channel, has recently been criticised for scrapping a regular show in which Mr Alexander Solzhenitsyn, the Nobel prize-winning writer, aired his complaints about Russia's political leaders. The failure of legal authorities to find and prosecute the murderers of two journalists also incensed the media.

Mr Ilyushenko will temporarily be succeeded by Mr Oleg Gaidanov, a 50-year-old deputy prosecutor in charge of criminal investigations. *John Thornhill, Moscow*

Austrian coalition rift deepens

Austria's coalition party leaders dropped plans to meet yesterday in a further sign of widening differences over ways to cut a huge budget deficit. The Social Democratic party (SPOe) and its junior coalition partner, the conservative People's party (OeVP), remained far apart over a 1996 budget agreement.

Vice-Chancellor Wolfgang Schüssel, leader of the OeVP, warned that unless the two parties resolved the budget crisis the coalition was finished and new elections would have to be called three years ahead of schedule. The OeVP opposes Social Democrat proposals to reduce the deficit by raising taxes and depending on one-off revenue from privatisation. Instead, the conservatives want public spending cuts, a higher retirement age and fewer subsidies to industry. *Reuter, Vienna*

FFr1m grant is rebuke to National Front mayor of Orange

Paris intervenes over festival

By Andrew Jack in Paris

The use of cultural policy to fight political battles in France took a sharp new twist over the weekend in the bitter feud between the extreme rightwing mayor of a southern town and the national government in Paris.

In an unusual intervention, Mr Philippe Douste-Blazy, minister of culture, offered an additional FFr1m ($200,000) grant to a musical festival in the town of Orange, near Avignon, and publicly criticised the mayor, who had withdrawn his support for the event.

His action comes after Mr Jacques Bompard, who was elected mayor in June on the ticket of the extreme rightwing National Front, said he would withdraw municipal funding for the town's annual Chorégies festival after he failed to be chosen as chairman of the organising committee.

In the past, the holder of the office of mayor had traditionally chaired the board, but Mr Bompard was found to be unacceptable, after a concerted effort by the festival's other sponsors, who were afraid his rightwing image would jeopardise the event.

Mr Bompard was one of three National Front candidates to achieve significant wins in the nationwide local elections, capitalising on the record 15 per cent score of Mr Jean-Marie Le Pen, the party's leader, in the presidential election in April.

The festival had planned that 5.4 per cent of its FFr18.4m budget this year would come from the town of Orange, with a further 7.4 per cent from the French state and three-quarters from receipts by those who attend – a total of 50,000 last year, making it the fifth most popular cultural festival in the country.

Writing in the Journal du Dimanche newspaper yesterday, Mr Douste-Blazy called Mr Bompard's decision "sadly exemplary" and "a provocation... which risked isolating his town".

He pledged to make up the shortfall in funding from ministry funds, saying that he would not be taken hostage by the town's decision, which was driven by "the political calculations of a man who... has an isolationist conception of culture and an authoritarian vision of power".

Orange had already come to prominence after the municipal elections when Mr Jack Lang, the former Socialist minister of culture, called for musicians to boycott the town and two others with National Front mayors.

The mix between culture and politics is strong in France, with a cabinet position for the Ministry of Culture, which was the sole government department to be excluded budget cuts for 1995 and 1996. President Jacques Chirac pledged at the time of his election that the ministry would have its budget increased to 1 per cent of government spending.

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Beijing protests over US claims of $30bn trade deficit

White House should correct 'distortions': real figure is only $7.4bn, says China

By Simon Holberton in Hong Kong and Reuter in Beijing

Beijing yesterday accused the US of exaggerating its trade deficit with China and demanded that Washington take measures to rectify what it called distortions.

The US on Friday said it expected its trade deficit with China to reach $38bn in 1995 and $45bn-$50bn in 1996. Mr Lee Sands, assistant US trade representative for China and Japan, also said its trade deficit with China was $30bn in 1994, second only to its $66bn deficit with Japan, figures disputed yesterday by Beijing.

The China Daily said Chinese statistics showed China enjoyed a surplus of only $7.4bn in 1994 and an official of the Chinese Ministry of Foreign Trade and Economic Co-operation accused the US of exaggerating its trade deficit with China.

"The US side should scrutinise and correct these distortions and should not use that figure as an excuse and tool to practise protectionism against China," the newspaper quoted the unidentified official as saying.

The official blamed the huge gap on "arbitrary practices" in determining the place of origin of goods from mainland China, Hong Kong and Taiwan, the report said.

"It is time to find a way to rectify the statistic negligence which has not correctly reflected the currency flow," the official was quoted as saying. He said this kind of distortion in trade figures was large because processed goods accounted for 69 per cent of China's exports to the US last year.

Mr Sands, speaking in Hong Kong on Friday, said the deficit with China had many roots, including protectionism. He also said 40 per cent of China's exports went to the US, making it China's largest and only truly open market.

Mr Sands, who arrived in Beijing at the weekend, will spend two days looking at intellectual property rights, a subject over which the two countries narrowly averted a trade war before reaching an accord this year.

Under the accord, China promised to crack down on pirates, improve copyright protection and open up barriers to US music, films and other intellectual property goods.

Mr Sands, who in February negotiated an agreement covering intellectual property, will press officials in Beijing about China's adherence to the agreement.

A senior US trade official said the Chinese authorities had done a decent job in preventing software piracy at the retail level. The official was, however, critical of Beijing's apparent reluctance to pursue makers and distributors of counterfeit software. Six out of seven factories pirating CD-Roms that had been closed down by the authorities have since reopened.

US customs was seizing more China-made pirated CD-Roms now than in the past. The official said that the February intellectual property agreement extended beyond just cracking down on the retail trade to stopping the maker of counterfeit products.

Mr Sands said at the weekend that Hong Kong's trade in counterfeit software was also becoming a problem. He met Mr Jeremy Matthews, attorney general of Hong Kong, on Friday to voice US concern over the traffic in pirated goods in the colony and Hong Kong's use as a transhipment base for China-made counterfeit software.

The senior trade official said Hong Kong's courts could impose larger fines.

Hong Kong law provides for fines of up to HK$25,000 ($3,200) per counterfeit object. Many offenders who come before the courts have no previous criminal record, however, and magistrates are reluctant to impose such heavy fines on first offenders.

Struggle ahead over free trade zone for Apec

By William Dawkins in Tokyo

Senior officials of the 18 countries of the Asia Pacific Economic Co-operation forum face a struggle this week to resolve differences over their political masters' plan to form the world's largest free trade zone.

Week-long talks, starting in Tokyo today, are the last chance for Apec trade officials to make progress before government leaders meet in Osaka next month, when they hope to adopt a free trade plan for the region, making up nearly half the world economy.

Japanese officials have warned that it will have to be left to ministers to settle the most politically sensitive disagreement, over whether Asia's high-cost farmers should be allowed special protection from cheap imports.

Apec officials fear the forum's credibility may suffer if the Osaka summit, to be chaired by Japan, fails in its mission of agreeing action guidelines for how Apec is to meet its target of free trade in goods and capital by 2020.

Agriculture is only one of many unresolved issues. Differences also exist on competition policy and trade in services, according to a senior Japanese trade official.

The agriculture rift goes to the heart of the central debate in Apec, between the US, Canada and Australia, which envisage a free trade zone with clear rules, and most of the Asian members, who prefer a loose consultative forum.

Japan, China and South Korea want farming to be excluded from the Apec principle that free trade should be comprehensive, covering all sectors. Critics of that idea, led by Australia, fear that granting special treatment for agriculture would only open the way for a host of other sectors, such as US textiles, to demand exclusion.

A compromise could be found by setting a slower schedule for phasing in free competition in sensitive sectors, trade diplomats say. Such an arrangement already exists in the North American Free Trade Agreement. Mr Ryutaro Hashimoto, Japan's minister of trade and industry, hinted at such a concession last week when he said flexibility was needed in applying the comprehensiveness principle.

The other unresolved problem facing Apec officials this week is individual free trade measures which governments aim to offer in Osaka as a first concrete gesture of commitment to the Apec plan.

The US has not yet been able to produce any offer because President Bill Clinton's authority to speed tariff cuts depends on his obtaining "fast track" trade legislation, which has been delayed for many months in Congress.

Other leading Apec economies have been waiting for the US offer to become clear before they make their own offers. Japan aims to make its free trade offer clear this week.

Progress has, however, been made in an agreement to set common customs clearance procedures by the end of the decade, expected to be a highlight of the Osaka agenda.

Apec, founded in 1989, groups Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand and the US.

Challenge to Brazil over cars

Trading partners may take import quotas dispute to WTO

By Frances Williams in Geneva

Brazil's trading partners have warned that they may challenge its recently imposed car import quotas by taking the issue to the World Trade Organisation.

The warning came at a meeting of the WTO's balance of payments committee at the end of last week, after Brazil failed to convince other nations the quotas were justified by balance of payments difficulties. Quotas and other quantitative trade restrictions are otherwise outlawed by WTO rules.

The US, Canada and South Korea said they reserved their rights to take the issue to the WTO's dispute settlement mechanism.

Criticism also came from Mexico, Japan, the European Union, Australia and Switzerland.

The quotas have been in effect since June 13, though they have yet to bite as imports have not reached the limits set. The imposition of quotas followed an earlier rise to 70 per cent from 20 per cent in Brazilian tariffs on car imports.

However, this duty increase is within WTO rules, since Brazil has pledged only to respect a ceiling of 80 per cent on car tariffs.

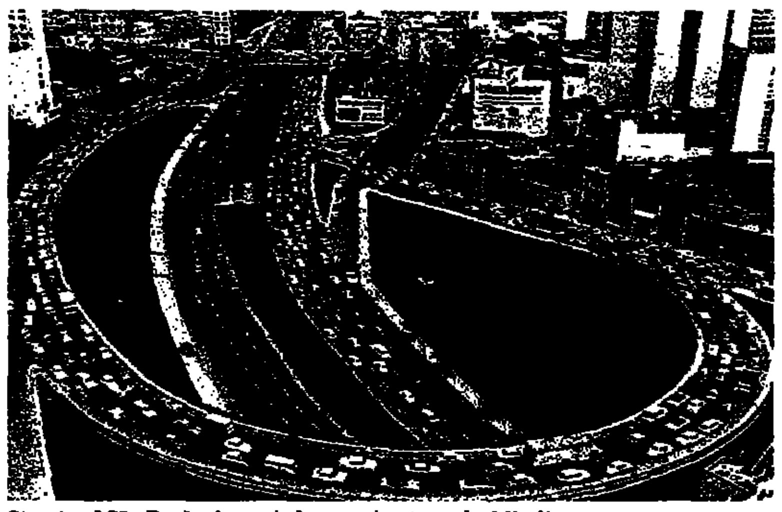
WTO members argued last week that Brazil, which has healthy reserves of foreign exchange, is not facing a balance of payments crisis. According to the International Monetary Fund, the country has reserves sufficient to finance 12 months of merchandise imports.

This compares with only three months' worth in 1991 when Brazil told Gatt, the WTO's predecessor, that it would no longer seek to justify trade restrictions on balance of payments grounds.

Brazil says the IMF figures are misleading because two-thirds of its foreign reserves are short-term capital that could be withdrawn at any time. Its trade balance turned negative this year after five years of surpluses.

The WTO's balance of payments committee is expected to meet again today or tomorrow to seek a consensus report to the WTO's council on trade in goods, after Brazil blocked a first draft on Friday.

● Top trade officials and telecommunications regulators on Friday agreed to push forward with WTO talks on telecoms liberalisation due to end next April. The Czech Republic is to join the talks, bringing the total number of participant nations to 43.



Streets of São Paulo: imports have not yet reached limits

Fast track is going nowhere

Administration and Congress are divided over US trade measure

The White House and House Republicans this week will make one last effort to breathe life into the all but dead "fast track" authority needed for the negotiation of future US trade pacts.

"Fast track" authority, under which Congress agrees not to amend trade agreements submitted for final approval, is urgently needed for talks to include Chile in the North American Free Trade Agreement. Chilean officials have given the administration until February or March to get authority before abandoning the effort until after the 1996 US presidential elections.

The White House and Mr Bill Archer, chairman of the House of Representatives ways and means committee, have appointed two representatives – Mr Bill Frenzel, a former Republican congressman, and Mr Kenneth Lay, chief executive officer of Enron Corporation – to work out language acceptable to both sides.

Mr Lay is a friend of Mr Thomas "Mack" McLarty, President Bill Clinton's old friend from Arkansas and his former chief of staff. Latin American trade has been one of Mr McLarty's responsibilities in the White House.

Ms Charlene Barshefsky, deputy US trade representative, has delayed a trip to China, in part to work on the negotiations.

The ways and means committee, which has authority over trade matters, has approved a fast-track bill. But it is unacceptable to the administration, which wants to be able to include labour and environmental provisions in trade negotiations.

The Republican fast track would allow for the negotiation of non-trade-related measures, but these would not be included in the main agreement for fast-track consideration.

Congressional sentiment over trade has splintered in both parties. Some Democrats are outraged that they have not been included in the negotiations.

Congresswoman Marcy Kaptur, a leader of anti-Nafta Democrats, is to circulate a resolution demanding that any extension of fast-track negotiating authority "be tied solely to negotiation with the EU on the creation of a transatlantic free trade area".

"Free trade is possible only among free people with democratic and open political systems," it says. "The establishment of a Tafta can serve as the impetus for closer co-operation between the US and the EU in the aftermath of the cold war."

It is widely believed that Democrats will not vote for the current fast track. The addition of some sort of labour and environmental provisions could attract some support, but most are demanding stronger provisions than those negotiated in Nafta, which have proved to be ineffectual.

The cohesion of the House Republicans is likely to come apart over trade, as several of the newcomers ran for office on an anti-Nafta platform.

It is believed the only chance for fast track is to include it in the mammoth budget reconciliation act, which the president may ultimately be forced to sign.

But Republican Congressman Duncan Hunter is reported to have 20 Republican names on a petition to keep fast track out of the budget bill and the leadership is not likely to act in a way that would jeopardise the legislation.

The Senate has taken no action on fast track, but it could conceivably approve a final budget bill with the measure attached.

Nancy Dunne and Guy de Jonquières

WORLD TRADE NEWS DIGEST

Singapore road pricing deal

A consortium including Philips Electronics and Mitsubishi Heavy Industries has won a S$392m ($280m) contract to build and maintain an electronic road pricing system (ERP) in Singapore. The republic's land and transport authority said the government would pay the consortium S$197m to build the system and S$39m a year for five years to maintain it.

The Singapore authorities say the ERP will be the world's most advanced automated toll management system. Under the system, all vehicles using Singapore's roads will have a unit fitted to the windscreen or handlebars. On various roads motorists will pass through two overhead gantries fitted with microwave devices which will deduct toll charges from a smart card fitted in the unit.

The government has said the ERP system could be extended to all Singapore's main roads by the turn of the century.

Two other consortia, which included General Electric, Marconi and Nippon Telegraph & Telephone, had submitted bids for the ERP project. *Kieran Cooke, Singapore*

Oman buys Swiss guns

Oman has bought Swiss 35mm anti-aircraft guns made by a unit of Oerlikon, a contract also sought by GEC-Marconi of Britain, diplomatic sources said yesterday. No details of the size or value of the deal were available but the official Omani news agency quoted Jund (soldier) magazine as saying the weapons would be deployed in November when the Gulf Arab state celebrates its 25th national day.

Oman's military modernisation programme is not as extensive as those in neighbouring Saudi Arabia, the United Arab Emirates, Kuwait and Iran. Two French fast patrol warships last month joined the Omani navy, and delivery of 18 British Challenger Two tanks began this year. *Reuter, Dubai*

Malaysia to rejig telecoms

The Malaysian government will honour the international gateway licences issued to telecommunications operators in the country but it will have to rationalise the sector, according to Mr Anwar Ibrahim, deputy prime minister and finance minister. He was quoted by the New Sunday Times newspaper as saying the companies concerned needed to be informed and the proposals negotiated with them.

Companies were perturbed by a recent announcement that obtaining international gateway licences would not necessarily mean that they could operate the network for the next two years at least, as this would have adverse effects on state-owned Telekom Malaysia. Apart from Telekom, four other companies have been given licences to operate international gateway networks. *Reuter, Kuala Lumpur*

■ Tomen of Japan has linked with Pacific Gas and Electric and the Bechtel construction group of the US to establish an electric power wholesaling venture. The US-based venture, with capital of $170m, will sell power to utilities in the US, Latin America and Asia, and expects sales of over Y100bn ($960m) in the next three years. The venture will start by operating a power station in New York state and aims to participate in other power station projects. *Foreign Staff*

■ South Korea will grant Vietnam a soft loan of Won38.2bn ($49.8m) to help finance road expansion projects. The foreign ministry said the two countries would sign the contract today in Hanoi. The 20-year loan will have a five-year grace period and carry fixed annual interest of 2.5 per cent.

The money is a part of South Korea's Economic Development Co-operation Fund, set up in 1987 to finance developing countries and to boost domestic companies' business expansion in the region. *Reuter, Seoul*

Entrepreneurs revive Poland's shoe industry

Despite recession and loss of markets, output rose 14% last year

The collapse of the Soviet market and the post-reform recession spelt doom for most of Poland's giant state-owned factories. Podhale, a footwear producer and the largest employer in Nowy Targ, was no exception.

But three years after Podhale collapsed, the town, sheltered by the Tatra mountains of southern Poland, is a flourishing centre of a diversified and privatised shoe industry which has become a big exporter of shoes. Last year Poland's officially registered output of shoes rose 14 per cent to 54m pairs.

Real output was at least 30 per cent higher when output from untaxed and unregistered cottage industry producers is included. Official exports of $116m were also swollen by private exports through traders from the former Soviet states buying stock for resale across the border.

Poland is littered with defunct plants like Podhale. They were the biggest and often the only employers in an area and were weighed down by social costs which tied people to their jobs under the old system.

The rebirth of a private, export-oriented shoe industry from the ashes has involved a combination of foreign investment, export orders from Adidas of Germany, a US shoe distributor's persistence, and the efforts of the Industrial Development Agency (ARP), which was set up to reinvigorate districts such as Nowy Targ.

Some of the old dinosaurs, such as the Mielec aircraft factory in the southwest, are expecting a recently sanctioned free enterprise zone to create jobs. Others, such as the Ursus tractor factory outside Warsaw, have relied on militant Solidarity trade union members to bring political pressure to shore up a tottering balance sheet.

Podhale, by contrast, struck lucky by finding three private entrepreneurs who now own shoe-making businesses inside the old plant. More people are now working than in 1992, when the state-owned plant expired.

"Shoe production needs small units able to change designs quickly as market conditions dictate," says Mr Janusz Szlanta of the ARP. "Podhale couldn't have survived the way it was," agrees Mr Kazmierz Ostatek, the plant's old sales manager. He is now selling for Wojas, one of the three privately owned companies on the site of the old shoe combine. "At first we regretted what had happened," he admits, "but now we see it was for the best."

The ARP, which acts like an investment bank, played a key role in the town's export-led regeneration by providing financial support to establish the new companies. "It couldn't have been done without the ARP. They took the first step when we couldn't get anyone to help and the government would not even give us relief on our tax and insurance dues," Mr Ostatek says.

The final blow for Podhale was a month-long strike by Solidarity against the liquidation of the plant in 1992. "It was the dinosaur's dying spasm," says Mr Leszek Kalicinski, who now heads Royce Polska, another on-site producer. The strike lost all but one of the factory's remaining customers in the US.

Royce, a Connecticut shoe trader which made its Herman Survivors, a well known east coast hiking shoe brand, in Podhale, had been through a lot by then. It produced shoes in in Romania but fled during the revolution 1989, evacuating stock and equipment in trucks. Then it was forced to evacuate former Yugoslavia overnight, abandoning its assets. The company ended up in Podhale.

"When Podhale went down it was understandable that they said they would only stay and invest with a stable local partner, preferably a state agency like the ARP," Mr Kalicinski says.

So the ARP bought the equipment and a building from the liquidator of the factory and put the assets into a joint venture with Royce. It was capitalised at around $6m, with the US shoe distributor holding 65 per cent and an option to buy the remaining shares. Output has since risen to full capacity. Royce bought 600,000 pairs of shoes in Podhale in 1991. This year the joint venture will make 1.2m pairs, all for sale in the US.

Nowe Podhale, the third producer on site, took a different route. Here the Austrian middleman between Podhale and Adidas, the German footwear group, leased the building and equipment from the liquidator when the factory died and went on producing for his client.

The happy outcome at Podhale is only the beginning for the ARP, which is headed by Mr Arkadiusz Krezel and is determined to salvage as much of the leather industry as possible. It recently bought the debt of the modern Biezanow tannery on the outskirts of Krakow from privatised Bank Przemyslowo Handlowy, for a fraction of its face value.

Biezanow was designed to supply Nowy Targ and similar plants and came on stream in 1989, just as Poland's shoe-making industry went into free fall. The ARP will soon be swapping the debt for a majority share and is already supporting the tannery by linking loans to purchases of leather by other still state-owned shoe producers.

But support for Biezanow and investments in other ailing shoe producers will not be enough to secure their long-term future. So the ARP is setting up a national wholesale distribution network for the industry to stabilise and expand the domestic market.

Christopher Bobinski

G10 attacks high government borrowing

By Robert Chote, Economics Editor, in Washington

Reducing government borrowing, bearing down on inflation and reforming pension systems are the best ways to promote saving and reduce real interest rates, according to a study published yesterday by the Group of Ten leading industrial countries.

The G10 estimates that average interest rates – adjusted for inflation – have risen from 3 per cent to 4 per cent in the *industrialised countries over* the last 35 years, while savings rates have fallen by nearly 5 per cent of national income over the same period. High government borrowing has been mostly to blame, offsetting the fact that weaker productivity improvements and slower labour force growth have cut investment demand.

Low saving is important because it constrains investment, economic growth and job creation, as well as making economies more vulnerable to adverse shocks because of the fragility it implies for household and business finances. High real interest rates make investment more expensive. This also slows economic growth, "although the risk should not be overstated".

"*Cutting public sector deficits* will unambiguously increase national saving and thus tend to put downward pressures on world real interest rates," the G10 paper argues. But because of the international integration of capital markets, cuts in fiscal deficits will have more effect on current account deficits than national interest rates.

The study recommends that government debt be reduced as a proportion of national income before ageing populations increase demands on public pension and healthcare systems.

To maximise the beneficial impact on national saving, fiscal consolidation should ideally be achieved through cuts in public spending rather than *rises in taxes. Expenditure cuts* should also be focused on public sector running costs rather than investment, while revenue increases should come more from taxes on consumption than taxes on income. The study also concludes the subsidies for particular types of saving have little or no impact on the total amount saved.

Pension reform should, meanwhile, be undertaken quickly to pre-empt the threat of unsustainable medium-term pressures on finances. Early retirement should be discouraged and pensions should be fully funded rather than on a pay-as-you-go basis.

The study rejects the idea that real interest rates have risen because developing countries are seeking more finance *for investment. The experience* of Asia suggests that these demands tend to be self-financing as domestic saving picks up. The same is expected to be true of demands for investment finance in transition economies in coming years.

GROSS PUBLIC SAVING (in per cent of GDP)

	1990	1991	1992	1993	1994
US	-2.5	-3.2	-4.3	-3.4	-2.0
Japan	8.4	9.0	7.8	6.0	4.2
Germany	0.6	0.6	0.7	0.1	0.6
France	2.5	1.4	-0.5	-2.6	-2.1
Italy	-6.2	-6.1	-7.5	-5.9	-5.9
UK	2.2	0.3	-3.3	-5.1	-4.3
Canada	-2.6	-5.3	-5.9	-6.0	-4.1

Source: OECD Secretariat

GROSS PRIVATE SAVING (in per cent of GDP)

	1990	1991	1992	1993	1994
US	18.1	18.9	18.9	18.3	18.2
Japan	26.2	26.1	26.2	26.5	26.9
Germany	24.3	21.9	21.3	20.5	20.4
France	19.0	19.5	20.3	21.3	21.5
Italy	25.8	24.8	24.7	23.9	24.7
UK	12.1	13.1	16.1	17.8	19.3
Canada	19.0	19.1	18.7	19.3	18.9

Source: OECD Secretariat

'Hot air' over privatisation outstrips prospects

By George Graham in Washington

Despite the significant benefits of privatisation, its progress in most developing countries has been slow, according to a new World Bank study.

Setting aside the transition economies of eastern Europe and the former Soviet Union, governments in developing countries have been divesting themselves of only three companies a year on average.

"The so-called decade of divestiture has produced more hot air than hot prospects," said Ms Mary Shirley, who led the World Bank research team.

Government-owned businesses still account for about 11 per cent of gross domestic product in developing countries, a level the report says has remained "stubbornly high" over the 1980s. And the poorest countries, which can least afford this brake on their economic performance, have the largest state sectors.

The study cites anecdotal evidence such as the Turkish coal mining company whose losses in 1992 worked out to about $12,000 (£7,600) a worker – six times the national income. Yet its miners' life expectancy was 11 years below the national average. "In short, the miners and the government would have been better off it the government had imported coal and paid the miners to stay home," the report says.

On a larger scale, the World Bank calculates that state enterprises damage a country's economic growth by crowding out government spending on services such as basic health and education and by weakening the government's financial position.

In Tanzania, for example, the government spends half as much again on subsidies to state-owned enterprises as it does on health.

"Our data strongly support the premise that the larger the state-owned enterprise sector's overall deficit, the larger the fiscal and current account deficits," the study says.

After examining why countries such as Chile, South Korea and Mexico were able to reform their state enterprises successfully while India, Senegal and Turkey were not, the report concludes that the effectiveness of privatisation is closely tied to the government's political credibility.

"Foreign aid designed to encourage state enterprise reform can be counter-productive when the conditions for successful reform are lacking," the report says.

US business trip hints at Cuban thaw

Just hours after US President Bill Clinton announced measures on Friday aimed at both promoting democratic change in Cuba and tightening the existing US economic embargo, the biggest group of senior US business executives to visit the communist-ruled island flew into Havana for a private fact-finding tour.

Later that day, soon after the Cuban government dismissed Mr Clinton's announcement as "a joke" that signalled no real change in US policy, the group of more than 40 executives from leading US corporations were having a private dinner with Cuban President Fidel Castro, chatting about everything from economic reform to political philosophy.

The coincidence was intriguing. While both Havana and Washington maintain the posture of cold war enmity, they appear to be moving slowly but inexorably down a path of more dialogue and communication that must lead, sooner or later, to a normalisation of ties, both economic and political.

True, the visiting executives – from companies including the Hyatt hotel chain, General Motors, Sears, K-Mart, Tandy Corp and Rockwell – were not in Havana to talk business: the US embargo forbids that. They were on a private, two-day "news tour" organised by Time Inc, the US publishers, whose high point was the dinner and chat with the president and senior aides.

But the fact that the group travelled with the knowledge and authorisation of the US administration and were accorded a red-carpet welcome by the Cuban government must be a sign that the cold war ice is melting, albeit slowly.

Nobody is saying they expect the 33-year-old embargo against Cuba to be lifted soon, at least not before next year's US elections. Mr Clinton's announcement included specific steps to tighten the enforcement of US curbs on trade and business with Cuba "to keep the pressure for reform on". But he also eased restrictions on travel and cultural and *academic exchanges* and announced measures "to promote [Cuba's] peaceful transition to a free and open society" through support for non-government and human rights groups in Cuba.

The Cuban government takes a dim view of such intentions, which it presents as an underhand US attempt to undermine its one-party socialist system. "What Clinton and his advisers have to understand is that Cuba is a sovereign state," a senior Cuban official, Mr Ricardo Alarcon, said.

Mr Alarcon, president of Cuba's National Assembly, rejected what he called the "export democracy" offered by Washington and said the best thing Mr Clinton could do was to lift the embargo.

Despite the harsh words, the Cubans were nevertheless happy to play host to the businessmen, who they hope will swell the lobby in the US to end trade restrictions. . Mr Alarcon said he hoped they would "go away convinced about what they are missing" in terms of business opportunities lost because of the embargo to European, Canadian and other foreign investors.

"Sure, US business is missing out here," one of the US executives said on Saturday, as he strolled through Old Havana on the kind of sightseeing tour that remains barred to most US citizens because of the embargo. "I've been to all the islands of the Caribbean and this place has got everything: the resources, the people."

Pascal Fletcher

Declaration of principles is expected at Amman summit

New Mideast bank clears hurdle

By Roula Khalaf

A declaration of principles for the establishment of a Middle East and North Africa development bank is expected at the Amman economic summit at the end of this month, despite European Union scepticism over the US-backed proposal.

A taskforce studying the establishment of the $5bn (£3.2bn) bank concluded its meetings at the weekend and cleared the way for the declaration of principles.

Although a majority of European Union members see no economic need for the bank in a region already served by several lending institutions, they do not object to the setting up of an institution which they will not be forced to join immediately.

A second organisation favoured by the European states is also likely to be announced at the Amman summit, according to a source at the taskforce meeting.

A majority of EU members proposed, as an alternative to the bank, the establishment of the Middle East and North Africa financial intermediation organisation (Menafio). This economic forum and project preparation facility would work on feasibility studies and seek financing from existing institutions such as the World Bank or the European Investment Bank.

The exact form of Menafio, however, has not been finalised. The regional countries, Israel, Egypt and Jordan, as well as the Palestinian Authority, said at the meeting that the economic forum, through which countries can discuss regional co-operation and integration, should be part of the bank, thus reducing the importance of the European-proposed institution.

Questions also remain over whether the project preparation facility will simply act as the precursor of the development bank, as the regional parties have suggested, or will continue to operate after the bank is set up, as the majority of European states have proposed.

"This was left a little bit in the air," according to a European source. The taskforce reports this week to a steering committee which will prepare the declarations for the Amman summit and iron out the remaining differences.

The real test now is whether, without significant European funding, the US can muster enough financial backing for the bank in the coming year.

Poor countries 'need fresh debt initiatives'

By Michael Holman, Africa Editor

There is an "overwhelming case" for a fresh initiative to help the increasing number of poor countries facing difficulties in servicing their multilateral debt, according to a study prepared for Commonwealth finance ministers.

The findings of the report, circulated at last week's meeting of the ministers, are expected to add to pressure on the International Monetary Fund to reconsider its long-standing opposition to rescheduling its loans to seriously indebted low-income countries (Silics).

Third world delegates are expected to call for new measures while attending the annual meeting of the IMF and World Bank under way in Washington.

In a separate report*, the British charity Oxfam yesterday called on finance ministers attending the Washington meeting to endorse a recent proposal on multilateral debt drawn up by a World Bank task force. The proposal advocates a radical reappraisal of ways to resolve the problems posed by third world debt, and envisages an $11bn (£7bn) facility for reducing the multilateral debt burden of the poorest countries.

> The creditors' refinancing strategy has not prevented the problem from growing rapidly

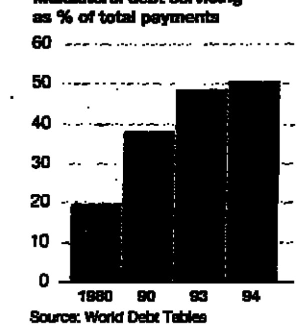
More than four fifths of total multilateral debt and debt servicing is attributable to the World Bank, the IMF and the African Development Bank.

Although multilateral debt accounts for about 28 per cent of Silic total long-term debt stock, servicing this category of debt now takes up nearly 51 per cent of total debt payments, compared with 20 per cent in 1980.

In the 52 page Commonwealth report, Prof Tony Killick, senior research fellow at London's Overseas Development Institute, an independent research centre, warns that "actual or prospective difficulties with servicing multilateral debts are affecting an increasing number of countries".

Seriously indebted low-income countries

Multilateral debt servicing as % of total payments



Source: World Debt Tables

"The [creditors'] refinancing strategy has not prevented the problem from growing rapidly," writes Prof Killick, "offers debtors no exit prospects, makes large claims on increasingly scarce bilateral resources, and... undermines the credibility of the Bank and Fund and attempts to induce improved policies through conditionality."

A package of measures, including a larger IMF extended structural adjustment facility, on even more concessional terms than already apply and financed by the sale or pledging of "a modest proportion" of the IMF's gold stocks, and highly concessional debt relief to low-income countries "would be technically attractive, provided relief was not based on unrealistically restrictive eligibility rules", says Prof Killick.

Although the report does not necessarily reflect the views of the Commonwealth secretariat in London, which commissioned the study, it has attracted widespread support.

● *Solving the Multilateral Debt Problem, by Tony Killick, Commonwealth Secretariat, Marlborough House, Pall Mall, London SW1Y 5HX. 0171 839-3411*

● **Multilateral debt: an end to the crisis, Oxfam, 274 Banbury Road, Oxford, OX2 7DZ. 01865 311311, fax 312417.*

INTERNATIONAL NEWS DIGEST

Big demand for Colombia loan

The lowest-priced voluntary bank loan for a Latin American sovereign borrower since the early 1980s – a syndicated credit launched last month for Colombia – has been heavily oversubscribed by international banks. The loan, to be signed today in Washington by Mr Guillermo Perry, finance minister, and representatives of 21 international banks led by Chase Manhattan, was increased from the $200m originally sought to $225m (£145.1m). According to Mr Perry, banks offered commitments totalling $365m.

The five-year term loan carries an interest rate of 1.25 percentage points over London interbank offered rates, believed to be the most tightly priced voluntary credit for a Latin sovereign borrower in more than a decade.

Mr Perry said the government was considering a further bond issue this year either in the US Yankee bond market, where it may seek a 10-year maturity, or in the Eurobond market. The market for Colombian bonds widened last month after Moody's, the US rating agency, matched other agencies by increasing the country's debt rating to investment grade.

● Panama and its main bank creditors led by Citibank have completed negotiations on the details of a $3.5bn debt reduction agreement. *Stephen Fidler, Latin America Editor*

UN to launch Afghan appeal

The United Nations launches in Geneva tomorrow its annual appeal for humanitarian assistance to Afghanistan amid growing concerns over the future of the central Asian country. UN officials and western diplomats have expressed concern that the country could fall into anarchy without adequate reconstruction efforts.

Countries surrounding Afghanistan are also concerned that young, war-hardened and well armed Afghan fighters who can find no economic opportunities could continue to form bands and continue the fighting. Last year the UN sought up to $106m (£68.3m) in assistance but received less than $80m. *Farhan Bokhari, London*

Hanoi nears debt restructuring

Vietnam is close to agreeing with commercial creditors terms under which about $800m (£516m) in commercial arrears could be restructured, the semi-official weekly Vietnam Investment Review (VIR) said yesterday. Clearing the London Club arrears would ease IMF and World Bank concerns about Vietnam's sovereign debt position and could clear the way for Vietnam to issue internationally its first government bond. Central bank officials have said the first issue would be worth $100m-$150m.

About half of the Vietnamese debt is penalty interest on money owed primarily to Japanese banks and trading houses. A London Club advisory committee jointly chaired by Australia and New Zealand Banking Group and Bank of Tokyo has just finished a third round of talks with Vietnam's central bank. *Jeremy Grant, Hanoi*

Early Trinidad election called

Mr Patrick Manning, the prime minister of Trinidad and Tobago, has called a general election for November 6, a year before a vote is constitutionally due in the southern Caribbean republic of 1.2m people. The move was prompted by a reduction in the government's majority in the lower house due to MPs' deaths and resignations. Opinion polls have suggested that the incumbent People's National Movement will be returned for a second term. *Canute James, Kingston*

Kuwait warns on budget deficit

Kuwait's central bank yesterday said persistent state budget deficits could damage the economy and should be tackled by boosting non-oil revenue. The bank's annual report for 1994 said public spending growth was outstripping revenue growth and would lead to erosion of official reserves. Kuwait projects a deficit of KD1.32bn (£2.8bn) for fiscal 1995-96, equivalent to 18 per cent of gross domestic product. *Reuter, Kuwait*

Japan braced for a rash of resignations

INTERNATIONAL PRESS REVIEW

TOKYO

By Michiyo Nakamoto

There will be a rush to resign in Japan today. Executives at Daiwa Bank are expected to take responsibility for Y110bn (£700m) in bond losses in New York, and the country's justice minister is likely to bid farewell to his post for allegedly borrowing from a Buddhist group.

Japanese resignations have a certain inevitability. They generally take a week or so of simmering and the media announce them ahead of time, almost as events to note in the diary. Mr Akira Fujita, Daiwa president, has been under pressure to leave since the bond losses were revealed on September 26.

Newspapers and weekly business magazines did not fail to point out that Daiwa's system of risk management, which apparently allowed Mr Toshihide Iguchi to hide trading losses over 11 years, appeared to contain some astounding flaws. But the focus of some coverage was on the damage the debacle might do to the creditworthiness of the country's financial institutions.

The *Yomiuri Shimbun*, Japan's most widely read national daily, commented it was difficult to believe that an institution which was entrusted with the important role of keeping depositors' money could have such an irresponsible system of checks.

"If [Daiwa] had failed to maintain a system of risk management and relied solely on the moral honesty of the staff responsible for the job, it cannot avoid the criticism that its business management is weak," said an editorial in the *Nihon Keizai Shimbun*, the leading business newspaper.

As for the international reputation of the country's financial institutions, Daiwa's difficulty was seen as yet another in a long list of problems afflicting a banking system straining under the weight of non-performing loans.

"International trust in our country's banks and financial system is plunging in the face of the bad debt problem and the collapse of one financial institution after another. The incident is likely to further the trend," noted the Yomiuri Shimbun.

The sharp fall in the share price of Daiwa meant that Y85bn in its market value was blown away in a single day, pointed out the *Weekly Toyo Keizai*. "It would not be surprising if shareholders, faced with such a huge loss, sued [the bank]."

Mr Fujita must have known his tenure was in doubt when he turned to the *Nikkei*. The newspaper called for both an in-depth investigation by the bank and for it to make the management's responsibility clear. It suggested the president should resign. "It is not sufficient for [the bank] to simply take expedient measures such as a cut in executive pay," the Nikkei stated.

The newspaper pointed out that Daiwa, which alone among Japan's city banks is authorised to conduct both banking and trust operations, was too busy trying to maintain smooth relations with the ministry of finance to pay sufficient attention to its global management strategy.

While the huge loss incurred by Daiwa should have sent a strong message to the Japanese public that even city banks, which most people in Japan believe will never be

Akira Fujita: under pressure

allowed to go under, are exposed to massive risks, the theme was quickly overshadowed by other events, including links between Mr Tomoharu Tazawa, the justice minister, and a Buddhist group called Rissho Koseikai.

Mr Tazawa is accused of having asked an opposition politician not to question him in parliament on his loan from the Rissho Koseikai. In return, Mr Tazawa is supposed to have promised to oppose an amendment curbing the influence of organisations.

If the opposition party did agree to such a deal with Mr Tazawa, the *Asahi Shimbun* notes, "there is nothing that compares to the damage that such a deal inflicts on the authority of the Diet and the insult to the Japanese public that it represents".

For its part, the Liberal Democratic party, to which Mr Tazawa belongs, took the allegations as a chance to push on with the controversial amendment. So when Mr Tazawa tried to justify himself, he found that few of his LDP comrades were willing to lend a sympathetic ear.

Jiang falls into step with China's military

Gen Fu Quanyou's confirmation last week as chief of the general staff of the People's Liberation Army completed the circle of new high-level Chinese military appointments and indicated that arrangements for China's post-Deng leadership may be solidifying.

After a fairly long hiatus, during which manoeuvring among rival factions held up personnel changes to the central military commission (CMC), the powerful body responsible for overseeing China's 3m-strong armed forces, the new appointments suggest further steps towards consensus on the power-sharing which would follow the death of Mr Deng Xiaoping, the country's patriarchal leader.

Western military attachés in Beijing regard the personnel changes, which began to be unveiled at last month's plenary session of the Communist party's central committee, as broadly favourable to Mr Jiang Zemin, China's 69-year-old president, party leader and CMC chairman, who has been striving to consolidate his grip on power, and in particular to bolster his standing with the military.

Mr Jiang did not see active service in the liberation struggle or in the Korean war, and therefore is without a military constituency – an attribute vital to leadership aspirants in China in the past.

"If all of the new appointees are not actively pro-Jiang, at least they are not against him," said one attaché.

In fact, two of Mr Jiang's closest allies in the military – Gen Chi Haotian, the defence minister, and Gen Zhang Wannian, the outgoing chief of the general staff – have been promoted within the CMC. They will join the Deng stalwarts, Generals Liu Huaqing and Zhang Zhen as co-vice chairmen and have clearly been designated as their replacements; both ageing revolutionaries are due to retire at the next Communist party congress, to be held in 1997.

On the move: reshuffles in the army indicate that China's military is set to increase its political power AP

But the fact that the veterans will be staying on and that Gen Wang Ruilin, Mr Deng's long-time private secretary, has also been appointed to the CMC indicates that Mr Jiang did not have things all his own way. The latest CMC reshuffle smacks of the factional checks and balances that have become part and parcel of China's transitional politics.

Mr Jiang is thought to have wanted Gen Zhang Zhen to step down – the crusty octogenarian survivor of the Long March is believed to have criticised policy towards Taiwan as "too soft" at the time of Taiwanese president Lee Teng-hui's visit to the US in June. Gen Zhang's retention of his position underscores the limits on the Communist party leader's powers.

The continuation as CMC vice-chairmen of Generals Liu and Zhang also reflects Mr Deng's wishes, even though his fading health may not permit him now to reiterate his views with force.

China's patriarch had installed both men as vice-chairmen with special responsibility for helping to oversee a smooth transition to a new generation of leaders, and to ensure the military remains united during a testing phase.

In 1992 Mr Deng showed his determination to avoid factionalism and power-seeking in the military when he banished Gen Yang Baibing, the powerful director of the general political department of the army and a member of the CMC, after it emerged that Gen Yang had convened a group within the military to discuss power-sharing arrangements post-Deng. This was classified as "plotting" in the communist lexicon.

The promotions and new appointments to the CMC are also in line with moves towards the greater professionalisation of the Chinese military, with the elevation of younger, better educated officers who have been weaned away from Maoist notions of "people's war" towards the need for higher calibre soldiers and improved weaponry.

Gen Zhang Wannian, 67, who now ranks third among the four CMC vice-chairmen and has clearly been singled out to take over when the veteran Generals Liu and Zhang Zhen retire, is regarded as an exemplar of the modernisation effort.

Since his appointment as chief of the army's general staff in 1992, the military has made significant strides in developing rapid reaction forces capable of deployment at relatively short notice across China's vast territory.

But Gen Zhang Wannian would also have been frustrated by the knowledge that China's military budget has not allowed him to push ahead as quickly as he would have liked in modernising Chinese weaponry. China's ability to project power is limited by the lack of a "blue water" navy, Awac early-warning aircraft and mid-air refuelling capabilities.

The nuts and bolts problems of dragging China's military into the 21st century will now fall to Gen Fu, 65, as the new chief of the general staff. Like Gen Zhang, the new chief's career includes active service in the liberation struggle before 1949 and in the Korean war. His previous post was that of director-general of the general logistics department, a vast operation which is at the centre of the army's sprawling commercial activities.

The reshuffles in the army may help underpin Mr Jiang's leadership, but they are also a signal that China's military is set to become more, not less, powerful in the next phase.

Tony Walker

Japanese-owned companies under scrutiny

By Peter Marsh in London

British managers working for Japanese companies in the UK are unhappier in their jobs than their Japanese counterparts, says a British manager for one of the companies. The British managers see more of a need to prove themselves, reports Mr Alan Jones, the general manager at NDM Manufacturing, in a dissertation for an MBA. NDM makes air conditioning equipment for cars, and is 75 per cent owned by Nippondenso of Japan. Magneti Marelli of Italy owns 25 per cent.

Mr Jones's study of managers in Japanese-owned manufacturing businesses in the UK suggests that the British managers are less hungry for promotion than their Japanese counterparts. Part of the reason for the lower satisfaction by UK managers may be that they appear to have difficulty assessing the non-verbal expressions of their Japanese bosses, and as a result are left uncertain about their employers' opinion of them.

Mr Jones's study is part of a dissertation for an MBA in which he looked at the cultural dimensions to Japanese operations in Europe. He questioned 20 Japanese and UK managers in 10 Japanese-owned companies in Britain. Their answers appear to support his contention that Japanese businesses should do more to make staff aware of cultural differences.

The lower satisfaction score by UK managers about their work is partly explained, Mr Jones believes, by the Japanese tendency to break down managers' tasks into routine operations which many UK managers may feel do not "stretch" them enough.

"To the British manager who has been trained for many years within a functional specialism this process may seem unnecessary and can result in the loss of a perceived job challenge," he says.

According to the study, UK managers are keener than their Japanese counterparts on being seen as having a worthwhile job. This is related to "the individualistic nature of the British and the the inner need to prove oneself, as well as the fact that promotion in British companies tends to be dependent . . . upon giving a visual perception that one is doing even more demanding work".

A Japanese manager, in contrast, may find himself in a job "which may not be to his total satisfaction, but which he will endure because he recognises that it is part of his overall training programme".

Cut prices on books to be stepped up

The Tesco, Woolworth, Dillons and W.H. Smith store chains plan to step up their discounting activity, Alice Rawsthorn writes. They achieved significant increases in sales of cut-price bestsellers last week in the first week of trading since the collapse of the net book agreement.

The multiple retailers launched heavily publicised price promotions last weekend after the demise of the pricing agreement, which has prevented the discounting of new books since 1900.

W.H. Smith, the UK's largest bookseller, has seen "substantial increases" in sales of its discounted titles, according to Mr Peter Bamford, its managing director. It plans to discount more books during the next few weeks.

Waterstones, the specialist bookseller owned by W.H. Smith, saw total sales increase 12 per cent on the first day of its discounting campaign. Mr Alan Giles, the managing director, said the increases were less dramatic in affluent areas, notably London's Kensington. They were most marked in provincial towns such as Maidstone, Kent, where Waterstones had found it difficult to sell hardbacks.

On Saturday, Dillons, the book chain owned by Thorn-EMI, cut the prices of 80 books by up to 40 per cent. Tesco, the supermarket chain, is considering plans to increase its book range.

Shipping and bus companies enter contest for early sell-offs from state network

First bidders appear for rail franchises

By Charles Batchelor, Transport Correspondent

RAIL BIDDERS

South West Trains
- MBO team
- Stagecoach
- Sea Containers
- National Express

London, Tilbury & Southend
- MBO team
- Stagecoach
- Prism
- GB Railways

Great Western
- MBO team
- Stagecoach
- Sea Containers
- Resurgence Railway

Bidders are coming forward for the first three train operating franchises in the state network to be put on offer. Mr Christopher Garnett, until last March commercial director of Eurotunnel, the Channel tunnel operator, is spearheading the Sea Containers' bid for two of the franchises. Sea Containers is one of nine groups shortlisted last month by Mr Roger Salmon, the franchising director, to put in final bids for the Great Western, South West and the London, Tilbury & Southend lines. Final offers must be made by October 27.

Sea Containers is bidding for two of the first three franchises, Great Western and South West Trains, in part because these would fit in with its ferry services to the Isle of Wight. The company, headed by Mr James Sherwood, a flamboyant American, has adopted a high-profile role, calling for 50-year rail franchises – the government favours seven years – and demanding that the decision to separate train operations from track ownership be reversed. Stagecoach, a Perth-based company which is the largest UK bus group, is the only bidder to be shortlisted for all three franchises. Headed by Mr Brian Souter, the son of a bus conductor and an evangelical Christian, it has expanded through a series of acquisitions since obtaining a stock market listing in 1993.

Prism Developments, which is bidding for LTS, is a consortium of four privately owned bus companies with a combined turnover of £72m put together to bid for rail franchises.

Its shares are owned equally by Blazefield Holdings, EYMS Group, which already has a rail excursion business, Lynton Travel and Q Drive Holdings. Mr Kenneth Irvine, a former British Bus executive, has been appointed managing director to lead the bidding.

The bus companies face potential monopolies objections to their bids but argue that ownership of rail lines would allow them to create timetables and ticketing systems which would integrate the two services and give benefits to travellers.

National Express, the coach group, which is bidding for SWT, has come to dominate the long-distance coach sector. The coach market is superficially similar to bus operations but, in fact, has a closer affinity with long-distance rail services. National Express has been diversifying its activities, acquiring East Midlands Airport and Bournemouth Airport.

The most intriguing bids are two from newly created management teams. GB Railways is headed by Mr Jeremy Long, formerly managing director of the motorway service area company, Pavilion Services, which sold out to Granada five months ago. GB gets its rail expertise from Mr Michael Schabas, a Canadian rail consultant with a reputation for devising innovative solutions to rail problems. It hopes to stage a management buy-in for LTS, putting its own team of people alongside the existing managers.

Then there is Resurgence Railway Holdings, a low-profile group headed by Mr John Ansdell, finance director until 1993 of Trafalgar House, the property, construction and shipping group; with Mr Patrick King, a solicitor; and Mr David Evans, an executive search director. Companies House records provide no evidence of rail expertise in this group but it may have signed up outside advisers.

Finally, management teams from all three rail companies are bidding to acquire them.

Centrists flock to Labour leader's banner

By Andrew Adonis
Public Policy Editor

Mr Alan Howarth may be the first prominent Conservative to desert his party for Labour. But he joins a band of prominent converts from the centrist Liberal Democrats and the former Social Democratic party in what increasingly looks like a realignment of the "intellectual centre" behind Mr Tony Blair, the Labour leader.

The most recent Liberal Democrat convert is Mr David Marquand, a former Labour MP who joined the SDP in 1981. He followed Mr Roger Liddle and Mr Derek Scott, both of whom fought parliamentary seats for the SDP in the 1980s and are now policy advisers to Mr Blair. Although they moved to Labour separately, there is a clear pattern to the desertions of Mr Howarth and the Liberal/SDP trio. All four are firmly centrist in their outlook, concerned to balance social cohesion with economic efficiency. And all four belong to that rare breed of politicians who have a deep interest in the content of policy and the ideas underlying political programmes.

None of them would claim to be immune to the tribal loyalties of politics. In an emotional article in this week's *New Statesman*, Mr Marquand talks of rejoining Labour as "going home, if they would have me back" to the party both his father and grandfather helped forge.

Yet all the converts are what Americans call "policy wonks". Mr Howarth made his name as director of the Conservative Research Department in the early 1980s, and his resignation letter is a catalogue of policy disagreements with the government. Mr Marquand is professor of politics at Sheffield university and the author of acclaimed books including *The Unprincipled Society*, an intellectual prospectus for Mr Blair's brand of "social-ism".

Mr Liddle was until recently a member of the Liberal Democrats' policy committee, and has a deep interest in issues of regulation and redistribution. To cap them all, Mr Scott is the ultimate in modern policy technicians: a chief economist at BZW who spends part of each week in Mr Blair's office as economic adviser.

The reasons all four joined – or rejoined – Labour are almost interchangeable. They see Britain facing a growing social crisis caused by the unbridled individualism of Thatcherism, with New Labour offering a social democratic alternative which is electorally credible and likely to be responsible in government under Mr Blair.

UK NEWS DIGEST

US group may enter market for tax returns

H & R Block, the leading US preparer of individual tax returns, is investigating entering the UK market with the advent of the new self-assessment tax regime in 1996. The company, which holds 12 per cent of the market in both the US and Canada, confirmed that a final decision was imminent. The move will also add to the growing controversy over self-assessment by implying that the new tax forms designed for self-asssessment are much more difficult to fill in than the present ones. Mr John Whiting, chairman of the technical committee of the Chartered Institute of Taxation, said: "This is a threat and an opportunity. The big question is the size of the market. My view is that it will cause more people to seek a tax adviser."

Jim Kelly, Accountancy Correspondent

London voted top location

London has been voted Europe's top business location for the fifth year in succession according to a survey of directors from 500 leading European companies. The survey conducted by international property consultants Healey & Baker asks businessmen to rank cities according to access to markets and customers, domestic and international transport links, cost and available of staff, and quality of communication as well as property costs. The survey confirmed London's pre-eminent position with Paris in second place, Frankfurt third, Brussels fourth and Amsterdam fifth.

"The survey shows that businessmen all over Europe rate London higher even than their own commercial centres," said Mr Paul Orchard-Lisle, Healey & Baker's senior partner.

Andrew Taylor, Financial Services Staff

Business optimism declines

Business optimism in the financial services sector fell by the biggest amount for three years in the third quarter of this year, says a survey from the Confederation of British Industry and Coopers & Lybrand, the accountancy firm. The decline, particularly marked among banks, general insurers and venture capitalists, was the steepest since Britain's exit from the European Exchange Rate Mechanism in 1992. But confidence among securities traders, life insurers and finance houses was up compared with three months ago. *PA News*

Brokers state their terms

LLOYD'S
LLOYD'S OF LONDON

Brokers operating at Lloyd's of London are pressing for changes in the way the insurance market works in return for contributing to Lloyd's ambitious recovery plan. Proposals which would be of commercial advantage to the brokers have been floated in negotiations with Lloyd's executives. Lloyd's is hoping for a substantial contribution towards the recovery plan to help increase the current £2.8bn ($4.4bn) proposed offer to loss-making and litigating Names. "What they [the brokers] are not prepared to do is to cough up merely to see the money go to wounded Names," said one Lloyd's insider.

Ralph Atkins, Insurance Correspondent

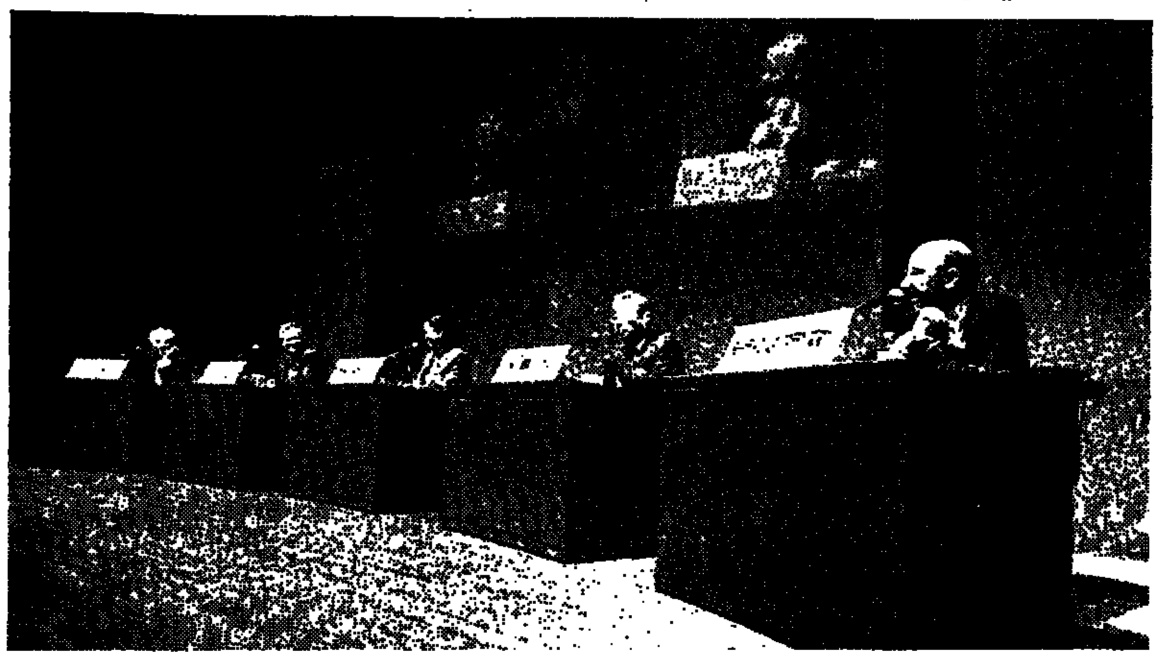
Foxhunter charged: The new foxhunting season began with the arrest of Mr Alistair Jackson, an official of the British Field Sports Society. Mr Jackson, a former master of the Cattistock Hunt in south-west England, was charged after allegedly punching a hunt saboteur in the face.

The Future Structure of Japan's Telecommunications Market

Japan's telecommunications industry is on the threshold of fundamental change. Debate is raging both inside and outside the industry on how the government and dominant participants such as NTT must prepare for the challenges that new technology, new competitors and new consumer demands will bring.

How Japan might restructure its telecommunications industry was the subject of a symposium held in Tokyo on 28 September and organised by the Financial Times. "The event was very opportune," said symposium moderator Professor Shumpei Kumon, Director at the Center for Global Communications at the International University of Japan. "There is much heated debate at present about what the future structure of Japan's Information Communications industry should resemble."

The following pages contain summaries of speeches delivered at the symposium.



The closing session of the symposium, during which a panel discussion was held. Participating in the discussion were Professor Shumpei Kumon, Director, Center for Global Communications, International University of Japan (left). Mr. Alastair Macdonald C.B., Deputy Secretary, Industry Command, Department of Trade and Industry (UK). Ms. Rachelle B. Chong, Commissioner of the Federal Communications Commission (USA). Mr. Masashi Kojima. President of the Nippon Telegraph and Telephone Corporation. and Dr. Martin Fransman. Director of the Institute for Japanese-European Technology Studies at the University of Edinburgh.

"The Role of NTT in Japan's Telecommunications Market"

by

Masashi Kojima
President of Nippon Telegraph and Telephone

The trend toward a borderless world in society and in business that we have witnessed over the past five years has had a considerable impact on the information communications industry and on NTT.

The changes that have occurred in that industry have, in part, resulted from technological and commercial innovations. Examples relating to NTT spring readily to mind. NTT's optical fibre communications technology has upgraded the corporation's capability 100 times compared with that of 15 years ago. These innovations, and the progress of competition, have led NTT to reduce its toll call rates by one-fourth of peak levels.

In recent years, the most remarkable innovation has been digitalization, which NTT has already accomplished in its networks, which allows network users to easily produce, process, transmit and manage information inexpensively.

Other network technology innovations relate to radio technology and wireless communications where the use of multiple low-orbit satellites to provide wireless information communications services over vast areas will soon be feasible.

Innovations in computer technology are already having a profound impact on communications. When the high-capability computers of today and tomorrow are integrated with information networks, computer networking will remove boundaries among different industries that conventionally were not related to one another. This will help foster international competition and cooperation among industries.

These network and computer innovations are impacting upon the information communication industry in several ways.

First, competition is being enhanced. The telecommunications industry, which previously was monopolised or in some other way protected from competition, has been dramatically released from the old framework and is now prepared to progress in the liberalized market.

Second, the industry has become more global to meet the needs of customers whose requirements are today becoming increasingly global in scope.

Lastly, new information communications needs have been created through multimedia developments and the emergence of new businesses through the convergence of industries.

Against this backdrop, the domestic and global market structure of the information communication industry is undergoing a transformation. The question for telecommunications carriers is how to adjust to this changing environment. For NTT, four key tasks loom.

The first is the task of promoting competition, and here we can look to trends in other countries.

The telecommunications markets in most developed countries were monopolies until the 1980s. Thereafter, liberalization gave birth to competing carriers, though in most cases local telecommunications remained in the hands of the monopoly, largely for technical reasons.

Typical examples of this are found in the US with the divestiture of AT&T and the 1982 revision of the Communications Act, allowing dual entry between long-distance and local markets; and in the UK, where local area services through the use of CATV networks were introduced.

Notable among these trends is the opening by advanced nations of their dominant-carrier's networks to new parties; and, amid the progress in globalization and computer communications, the re-positioning of their dominant carriers as essential industry infrastructures to advance industrial abilities. Activating competition without dispersing the dominant carriers' power through divestiture is becoming a mainstream idea.

How, then, should competition be fostered in Japan's telecommunications market? The privatization of NTT in 1985 activated competition in long-distance telecommunications, although the current level of competition has now reached maturity. Conversely, portable telephones and the world's first PHS wireless service have been progressing faster than fixed telephone services and soon, CATV telephone services will begin.

Unfortunately the market's current framework is not conducive to expanded competition in local communications. To rectify this situation, two concepts for an ideal framework for Japan's telecommunications industry are suggested.

Cont on next page

ADVERTISMENT

The Future Structure of Japan's Telecommunications Market

First is an open framework in which new carriers, by connecting their lines to a dominant network, can start their services for a certain scale of users without having all facilities themselves. This framework will force existing carriers like NTT to completely alter their perspectives, though we fully realise that this is inevitable for promoting competition.

Second, deregulation or the creation of liberal business environments without business boundaries is essential and should replace the existing framework, where divisions exist among businesses such as Type I/Type II carriers, international/domestic, long-distance/local, and line-based/wireless. So long as the telecommunications industry, supported by technological innovations, is fostering competition domestically and globally, these sub-divided frameworks will present obstacles to further development. If the option of dividing NTT is adopted, this will simply result in a further sub-divided market. Network openness and deregulation are indispensable for the further development of the information communications industry: so long as the old framework remains, I am afraid that Japan's telecommunications will become obsolete in the international market.

Though the open framework advocated by NTT will impact severely on our management, the Corporation intends to pro-actively open its network. In short, NTT will accept all requests from carriers to connect their networks to NTT and will ensure that other carriers can connect their networks to NTT's.

The second task confronting us is responding to globalization.

With the relaxation and even abolition of national regulations that restricted foreign investment in telecommunications in developed countries, it is now common for foreign carriers to provide services across borders. Of course, the principle of reciprocity applies, and it is essential to open a country's domestic market if its carriers are to establish themselves internationally.

An example of such reciprocal arrangements is the alliance between BT and MCI in which the former holds 20 percent of MCI's stock and in return US local telephone companies gain access to Britain's CATV telephone business.

NTT's approach is to develop its operations on a borderless, worldwide scale on the basis of this international reciprocity to meet the increasingly global needs of users.

Thirdly, we must address the task of establishing a multimedia service infrastructure.

One of the high-priority issues facing today's communications industry is how to build computer networks that make it simpler for users to handle, store, process and transmit information. Once these networks are in place, traditional sector boundaries on both an international and a domestic scale will be swept away.

In June this year, NTT became the first in the world to announce new services launching the multimedia age, including the construction of a connection-less, laterally-distributed network on the Open Computer Network concept.

Of course, NTT can't claim to possess all the expertise in-house to realise this goal and has been conducting joint multimedia tests using the 156M ATM link—a high-speed broadband backbone network—to coordinate development with users and companies in other industries. We have also formed an alliance with CommerceNet of the US to help develop that country's cyber-business.

Lastly, amid these changes NTT must maintain and strengthen its R&D capabilities. The Corporation's integrated R&D structure has conventionally enabled us to concentrate resources on high-risk R&D activities necessary for network infrastructures. NTT's comprehensive R&D strengths and technical evaluation capability are the basis of our proactive joint development programmes with companies such as Microsoft and General Magic as we work to create a foundation for multimedia services in which new applications will bloom.

In conclusion, the present environment for telecommunications is one in which dramatic developments in technology mean that progress is measured in years and months, not decades. In the midst of these changes, NTT's tasks are to meet the challenges of promoting competition, to respond to globalization, to establish a multimedia service infrastructure, and to maintain and strengthen our R&D capability.

"The Role of Competition in Promoting the National and Global Information Infrastructure"

by

Rachelle B. Chong
Commissioner of the Federal Communications Commission (USA)

Competition in telecommunications has produced very great benefits in the United States, for both consumers and service providers. Americans, particularly my colleagues at the Federal Communications Commission (FCC), are so committed to the notion that we are constantly searching for new sources of competition.

We in the US government would like to welcome ALL new talent to our telecommunications market, including companies from throughout the world, and fortunately the global political climate has never been more favourable to the development of competition in telecommunications.

The world is coming to understand the need for competition and is writing rules for competition on a global and national basis. In January, US Vice President Al Gore announced a Global Information Infrastructure Agenda for Cooperation (GII) presenting the US strategy towards the challenges of the current telecommunications revolution, and encouraged world leaders to come together to meet those challenges.

Of the five principles on which the GII is founded, competition plays a key role. Other principles include the encouragement of private investment and creation of a flexible regulatory environment. Japan, like many of our global partners, continues to debate what strategy to pursue.

In the mid-1980s Japan embarked on a program of liberalisation in the telecommunications market, but despite the creation of New Common Carriers ten years ago to compete against NTT for domestic long-distance, NTT continues to dominate the domestic telecommunications market.

There are many similarities between the Japanese situation today and the US experience in introducing competition to the telecommunications market.

Once, AT&T maintained a monopoly on telecom services and equipment in the US. Competition was first introduced in telephone services in 1969 when the FCC granted MCI permission to provide point-to-point microwave services. Eventually, more than 1,700 service providers filed applications to enter the US telecommunications mart.

Despite the emergence of competitors as early as 1969, the new carriers faced technical and regulatory obstacles that continued to protect AT&T's dominant position. This prompted the US Department of Justice to file an antitrust suit against it, an action that led in 1982 to an agreement between the Justice Department and the company that stipulated, among other things, that AT&T divest its local telephone companies while maintaining long-distance and manufacturing operations. Meanwhile, the FCC wrote rules governing interconnection of long-distance carriers to the local network.

Fostering competition has brought benefits in four major areas. First, it has resulted in substantially increased traffic and penetration rates. Second, though some 70,000 jobs were lost initially through the restructuring of AT&T between 1988 and 1992, over the same period nearly half a million new jobs were created in communications and emerging information markets like computer software. Third, competition has produced a diversity of services and products based on consumer needs. Finally, competition has improved network modernization and service quality such as the laying of fibre optic cables.

In order to safeguard a competitive market, from our experience at the FCC there are several important measures that must be adopted.

To begin, it is critical that interconnection be fair and economical and that interconnection terms are uniformly and widely available on a non-discriminatory basis for customers as well as for all competing carriers.

Next, the competitive market must be protected by steps designed to prevent cross-subsidization by the dominant carrier. With the emergence of competition, the dominant carrier can obtain an unfair price advantage by shifting to monopoly services the costs incurred to provide services in a newly-competitive market. Such practices should be regulated against.

Another important measure to safeguard competition is transparency or procedural openness so that dominant carriers and regulators can be held accountable to the public.

The final protective measure is having a regulator that is independent of service operators. Otherwise, potential conflicts of interest can arise when a government is an owner responsible for the financial performance of the dominant carrier.

The US cannot be said to be fully competitive in all market segments. We also continue to evolve but we are swiftly moving in the direction of increased competition and less regulation. Indeed, at this moment the US Congress is working on passage of a new law whose primary goal is to enhance competition in all telecommunications sectors.

Internationally, work is being done to negotiate commitments to liberalise trade in telecommunications

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The Future Structure of Japan's Telecommunications Market

services in the most important world markets by the WTO's Negotiating Group on Basic Telecommunications (NGBT). By April 1996 the NGBT must conclude an agreement that would allow all carriers—regardless of their nationalities—to serve their customers virtually anywhere they might be.

If we are to seize this unique opportunity to sweep away barriers to global trade in basic telecommunications services, then Japan and the United States, as two of the leaders in this negotiation, must be prepared to move well beyond the status quo to eliminate remaining barriers to market entry.

The choice is clear: a non-competitive and smaller market with fewer players, higher prices and reduced service choices, or a competitive, expanded market with many, diverse players, lower prices, and many innovative services.

We all need to be aware that a failure of the NGBT to come to an agreement by April 1996 will set us back for years to come. It is time for global leaders to demonstrate their courage and leadership as the race for the development of the national and global information infrastructures continues.

"The Winds of Change in Japan's Telecommunications Market"

by

Dr. Martin Fransman
Director of the Institute of Japanese-European Technology Studies at the University of Edinburgh

Japan is at a watershed. Over the next six months some decisions will have to be made regarding the regulations, the procedures, and the shapes of the firms that are to play key roles in the future development of the country's telecommunications industry.

These decisions will inevitably impact upon Nippon Telegraph and Telephone, Japan's dominant telecommunications supplier around which winds of change are already blowing. To appreciate the importance of these events, a context is needed.

A unique feature of the Japanese telecommunications industry is the separation of services between international carriers—represented by KDD, IDC and ITJ—and the national service provided by NTT and three New Common Carriers DDI, Japan Telecom and Teleway Japan. Other major countries do not separate domestic and overseas services.

Another feature of the Japanese market, however, is found in other countries and that relates to the size of NTT. In 1994, NTT recorded total revenues of about $65 billion. By comparison, the revenues generated by DDI and KDD were about one twenty-fifth the size of NTT's. Thus, as in the case of the UK with BT, Japan has one overwhelmingly dominant player. In terms of national market share, NTT holds a dominant 98 percent of the local market, although its share of long-distance business is about 57 percent. In other markets such as cellular, NTT's share is about 60 percent.

It is against this structure of the Japanese telecommunications market that several strong winds of change are now blowing that could weaken NTT's position. The first is competition and in particular, increasing competition in the local market.

In the local market, NTT faces growing competition from three main sources. First, the optical fibre network being constructed by Japan Telecom and also the electric power companies that will compete with NTT's network. Second, the rising popularity of cellular phones will compete with NTT's fixed network. Third, cable telephony, which was deregulated in Japan in March 1994 will increasingly provide new opportunities for domestic and foreign competition. Next, over the longer term, PHS will constitute a more important source of competition, while slightly further ahead, competition will also come from satellite-based consortia.

The message here, then, is that competition is increasingly going to be a wind of change regardless of what decisions are made in Japan about regulations and new kinds of institutions.

The second major wind of change concerns the hotly-debated issue of NTT's possible divestiture. Those in Japan advocating the break-up of the corporation cite the following three arguments.

The first is the power argument: NTT is economically, financially and politically too powerful. The second relates to organization and the dis-economies of scale of large organizations: big organizations are bureaucratic and inefficient while small organizations are fleet-footed, more focused and perhaps more flexible.

The third argument goes that divestiture is needed for competition reasons, and here there are two sub-arguments: one, that only through divestiture can the issue of interconnection be resolved, and two, only through divestiture will there be sufficient competitive pressure to ensure that costs are reduced and service improved.

Those taking the opposite view against the splitting of NTT present four reasons in support of maintaining the corporation's current status.

The first argument they use is that even NTT's power—great though it is at the moment—is limited in the longer run by competition. Supporting their contention, they point to IBM, the dominant player in the computer industry for so long but which faced competition from new technologies.

The second argument against NTT's divestiture is that break-up itself may be inefficient and here, again, several sub-arguments are given. First, break-up requires some duplication of costs among all the broken units; next, network coherence may be broken as different entities go their own way; and lastly, break-up would interfere with the work of NTT's excellent electrical communications research laboratories.

Two other arguments are presented by those wanting to keep NTT the way it is. First, NTT needs size if it is to be a global player. Second, break-up won't necessarily solve the problem of interconnection; even if NTT is broken into several smaller units it is not clear whether smaller, local units will perform better regarding interconnection.

To the question of divestiture there is no unambiguous answer. In the UK it was decided that BT need not be broken and that new competitive forces would help create the kind of telecommunications market desired. It was the opposite in the US where AT&T was divested. The Japanese authorities will have to resolve the question one way or the other.

Finally, the third major wind of change blowing over Japanese telecommunications is globalization. It is important to remember that Japan is unique at the moment among major countries for its separation of domestic from international carriers.

Also noteworthy is Japan's current lack of a major player in the emerging global telecommunications market providing services for global customers. If Japan is to be a major player in these markets—not a small player focusing on niche markets—then it is clear that NTT will have a key part in these emerging markets. This question does, however, present problems for Japan's regulatory authorities because the Posts and Telecommunications Ministry has been reluctant to give NTT the right to enter lucrative markets outside Japan.

These three important winds of change, then, will profoundly alter the structure of Japan's telecommunications industry. Competition will inevitably grow irrespective of what decisions are made by the authorities. The question of NTT's divestiture will have to be resolved. And lastly the issue of globalization will have to be addressed: how can Japan benefit from, and participate in, these growing global markets.

"Future Direction of Japan's Telecommunications Policy"

by

Yoshio Utsumi
Deputy Minister for Policy Coordination, Ministry of Posts and Telecommunications (Japan)

Discussing the future direction of Japan's telecommunications policy requires a context. We must examine some of the issues Japan is likely to face in the future and what the role of telecommunications should be in relation to those issues.

In this regard, three points need to be addressed. The first concerns Japan's rapidly aging population. If 'aged' is defined as people 65 years and older, then in France and the UK it was in 1865 that the portion of 'aged' people in their total populations was 7 percent—about the time when Japan was undergoing the Meiji Restoration. It was not until 1980—some 115 years later—that France and the UK saw the portion of aged in their populations reach 14 percent. In the US, those aged 65 and older reached 7 percent of the total population in 1945, and the 14 percent level is not expected to be reached until 2020.

In Japan, by stark contrast, a mere 25 years ago in 1970 some 7 percent of the population was aged 65 and over, and next year in 1996 that portion of 14 percent is likely to be passed. So while France, the UK—and to a lesser extent the US—have been able to adapt to this change in demographics gradually, in Japan the transition will have occurred in just 26 years.

Similarly, over the next 15 years it is expected that 90 percent of growth in Japan's population will occur in Tokyo, with growth in the rest of the country likely to account for just 10 percent.

This highlights another important trend with implications for communications. Already today, some 32 percent of Japan's total population is concentrated in Tokyo and its environs. The city and its closest suburbs contribute a huge 37 percent to the country's total industrial production, and nearly two-thirds of all major Japanese corporations whose annual revenue is 1 billion yen or more are headquartered in the capital city.

The third issue concerns Japan's prolonged economic recession. Opinions vary widely as to the causes of this recession, but a key factor has been the yen's appreciation against the US dollar over the past decade. As a consequence, much of Japanese manufacturing—once the mainstay of the country's economy—has had to relocate abroad where production costs are lower in order to remain competitive internationally.

It is no exaggeration to say that these three issues will have a profound impact on Japan's social and economic future. In order for the country to remain a force in the world economy, the problems these issues raise must be solved. I believe that the information and communications industries can contribute to solving these problems.

For example, a major worry for elderly people is health care and the need to travel long distances to receive medical attention. The use of teleconferencing where doctors and patients communicate face-to-face over long distances would ease some of these concerns. The widespread use of this technology, together with computer communications systems, would also enable more companies to locate outside Tokyo and thus ease the concentration of commerce in the capital.

At the same time, Japan could restructure its economic base by developing technologies rather than products for export. The country would be driven by skills rather than manufacturing expertise. Much evidence exists to suggest this is already happening. If an industry's strength is measured in terms of capital investment, then the telecommunications industry is prospering. Out of total capital investment allocated by industry during the current fiscal year of 40 trillion yen, some 8 percent or 3.15 trillion is being spent by the telecommunications sector.

The question, then, is what policies should be pursued in order to foster the growth of telecommunications.

The development of telecommunications in Japan was driven after World War Two by the two government-owned telecommunications monopolies, namely NTT for domestic services and KDD for international. Placing the responsibility for developing telecommunications networks in the hands of two monopolies functioned very well and enabled Japan to establish modern communications networks in a very short time.

Gradually we began opening the market to outside players and in 1985 privatized NTT to introduce full-fledged competition to the marketplace. In the new competitive environment, both the economy and the consumer have benefited. For example, today some 2,474 companies are involved in the industry compared with just 85 in April 1985 when NTT was privatized. Through the entry of New Common Carriers in the long-distance telephone market, charges have fallen by more than half. Competition in provision of international communications services has also seen overseas call charges drop by nearly two-thirds over the same period.

Nevertheless, it must be admitted that in the so-called local loop, NTT still dominates. Although last fiscal year the three domestic NCCs generated revenues of 628.4 billion yen, nearly half of this they paid to NTT in connection charges for use of its local lines.

How to rectify this situation is just one of the matters now being discussed by the Communications Council, an advisory body to the Posts and Telecommunications Minister that is expected to conclude its deliberations by March next year. Other issues being addressed relate to the status of NTT, how to promote competition in the market to enhance the quality of service provided for consumers, how to promote and maintain Japan's strength in research and development in communications, and how Japan can survive international competition that is certain to grow in strength in the years ahead.

These are the kinds of questions confronting the Japanese government today as it formulates its future policy on telecommunications.

"UK Telecommunications: Strategy Towards Competition, Global Partnerships and Alliances"

by

Alastair Macdonald
Deputy Secretary, Industry Command, Department of Trade and Industry (UK)

In telecommunications today, we are facing a global challenge to ensure that we can adequately meet the growing demands and technological changes of the 21st century and beyond.

The Information Society is already upon us. How we respond to it will determine whether our countries will succeed in harnessing the major benefits which the Information Society potentially holds. This means a regulatory framework and high-quality content for delivery over information superhighways.

In today's global marketplace, individual countries need to take decisions on their own telecommunications policy and systems with a clear view of the global environment. The old pattern of monopolies is becoming increasingly irrelevant and technically difficult to maintain. In the UK, embracing change rather than attempting to hold it back was considered best.

In the UK telecommunications market we have introduced competition in all domestic and international services and welcomed foreign investment in our networks. As a result the UK telecommunications market in the last decade has experienced unprecedented expansion. We have moved from a telecommunications monopoly in 1984 to the position where we now have over 150 licences allowing people to build or run networks for all domestic services and also ISR.

Moreover, since 1984 the prices charged by British Telecom (BT)—the former government monopoly that is now privatised—have fallen by over 35 percent in real terms. We have a fully competitive market, with investment last year of over £5 billion, and with BT competitors for the first time overtaking their spending on network investment.

In addition, 135 cable companies are building their networks. As of August this year 1 million telephony lines had been provided by cable companies, double the figure last year and growing at 50,000 a month.

Despite the strong downward pressure on pricing by UK regulatory authorities and the strong competition, BT remains a highly profitable company with profits of well over £2.5 billion last year. By giving domestic and business customers more choice, the market is growing faster than ever.

In the UK, competition has been viewed as playing a key role in the telecom industry's development. In the ever-changing climate of communication needs, it is not governments but the private sector who will build the information superhighways.

In the UK, though the government views its role as facilitating market development by private enterprise, regulation targeted particularly at dominant operators is still needed to allow new market entrants the chance to catch up. Paradoxically, in order to reach the goal of full competition and minimum regulation, we have to introduce some quite tight regulation to allow the competition to become established.

The independent regulator OFTEL, whose office was created under the UK Telecom Act, ensures that a fair and transparent market exists for both consumers and new suppliers. As the market progresses and genuine competition develops, the need for regulation declines and market forces provide the necessary balance. Indeed, regulators must be ready, when appropriate, to deregulate, though it is important to appreciate that deregulation does not necessarily mean less—or less effective—regulation, but ought to mean better regulation.

The benefits accruing to the UK through its competition and liberalisation policy can also apply globally, encouraging economic development; building networks; providing better services; and diversifying sources of investment capital.

It is consumer demand, and the breakdown of traditional one-market, one-carrier structures, that is bringing about the globalisation of telecoms. In this, the formation of alliances and partnerships such as that between BT and MCI looks set to become a major theme. In a fully competitive market without foreign ownership restrictions, alliances and partnerships can provide the same advantages globally that we have already seen in some national markets.

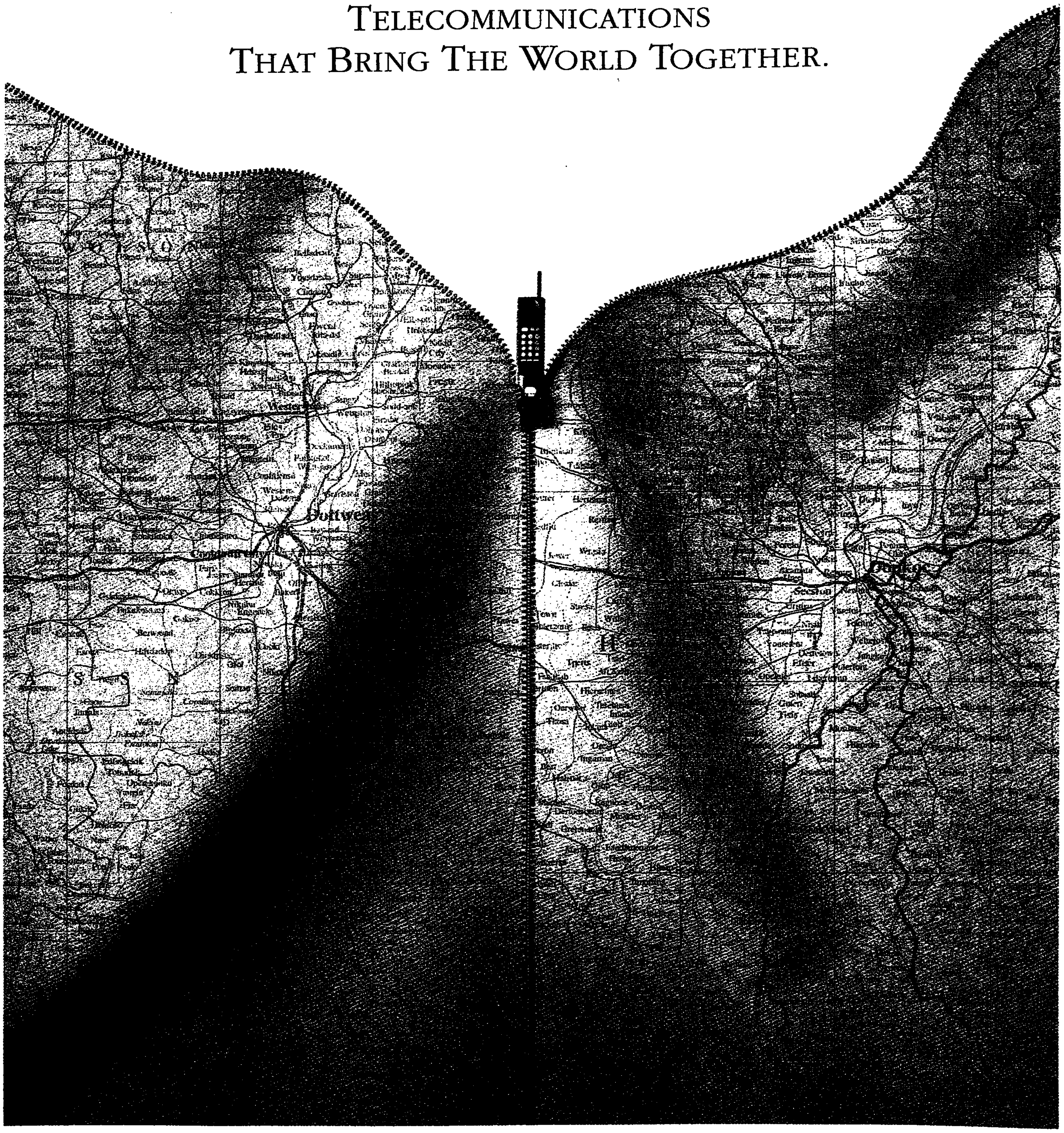
For the global telecom market to flourish, we need flexibility in our regulatory systems to encourage world players to base themselves in countries like Japan and the UK.

But globalisation also means letting consumers and service providers have access to low-cost, plentiful capacity to make using telecom and multimedia services as natural a purchase as a newspaper or magazine. Unless the price of telecom infrastructure is brought down through competition, and unless innovation in the network is encouraged, we will wait a long time for the Global Information Society to develop.

To conclude, there is no doubt the UK economy has benefited considerably from liberalisation of the telecommunications market and the competitive environment which has been created in the UK. One of the lessons learned is the crucial importance of a fair and transparent interconnection regime as an essential part of the development of a flourishing competitive market.

Japan, with its three international carriers, is already advanced in telecommunications competition compared to many other regimes. There is already competition in the long-distance market, and Japan is developing competition in the local market as well. We would very much welcome a strong Japanese world presence, developed in such a way as to provide the possibility for UK companies to co-operate with Japan, so that together we could take the important steps we need to take towards the Information Society of the future.

TELECOMMUNICATIONS THAT BRING THE WORLD TOGETHER.



Today, it's important to have a telecommunications partner that brings your world together. NTT, Japan's largest telecommunications carrier, has operated the nation's phone system for 110 years. One out of two people in Japan now has a telephone, which brings the country together. With a focus on the future, NTT's optical fiber and cable business is at the forefront of multimedia development. Working with local telecommunications companies around the world, NTT can bring the system together with a one-stop, total communications service, including planning and infrastructure. In addition to such technical support as maintenance, technical assistance, training, and education. And with a focus on R&D — with over 3000 patent applications each year — NTT will be bringing it all together for generations to come. You and the world. Together with NTT.

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FINANCIAL TIMES

COMPANIES & MARKETS

Monday October 9 1995

MARKETS THIS WEEK

GERARD BAKER: GLOBAL INVESTOR
One Japanese bank has made something of a name for itself in the government debt market recently. But fortunately for the rest of the banking sector, the Daiwa debacle in the US treasuries market has a rather more positive counterpart on the other side of the Pacific. Page 26

ROBERT CHOTE: ECONOMICS NOTEBOOK
The elimination of excessive government borrowing has long been prescribed by the international policy-making establishment as a sure-fire remedy for every economic ill – US anxiety about the weakness of the dollar is a case in point. But would cutting the deficit really lift the dollar? Recent history suggests not. Page 26

BONDS:
Ireland's tiny government bond market, for so long struggling in the shadow of the larger UK gilt market, appears to be shaking off the attentions of its neighbour. Page 28

EQUITIES:
The bookbuilding process is designed to direct stock into the arms of the keenest investors. However, in the case of Telefónica, the Spanish telecoms company, it failed to do that. Page 29

EMERGING MARKETS:
Last week's jump in Philippine inflation from 8.4 per cent to 11.8 per cent has sent Manila-based analysts scrambling to revise year-end market forecasts. Page 27

CURRENCIES:
The annual meetings of the IMF and World Bank, combined with a few public holidays, may be sufficient this week to dampen any dramatic moves on the foreign exchanges. Page 27

COMMODITIES:
Aluminium traders will return from the weekend break today to face an uncertain outlook. Initially all eyes will be on Canada, where three Alcan Aluminium smelters were hit on Friday by an all-out strike. Page 26

INTERNATIONAL COMPANIES:
The supervisory board of Deutsche Postbank has thrown its weight behind management efforts to fend off a bid from a consortium headed by Deutsche Post, while making it clear that it wants co-operation with the German post office. Page 25

UK COMPANIES:
The battle over Scholl will intensify this week with rebel shareholders claiming four unsolicited approaches from potential bidders for the healthcare products group. Page 24

STATISTICS

Bata executives quit in strategy row

Triple resignation blamed on disagreements over retail side with Czech-born figurehead

By Bernard Simon in Toronto

Bata, one of the world's biggest shoe manufacturers, has lost three of its senior executives after disagreements with Mr Tom Bata, the forceful Czech-born octogenarian whose family owns the Toronto-based company.

Mr Stanley Heath, who joined Bata only 15 months ago as the first non-family chief executive, said: "We had some basic differences that we couldn't resolve". Mr Heath, 57, declined to give details, beyond indicating that the problems arose recently after a "magnificent" first year in the job.

According to other sources, the disagreements revolve around the pace of change in the group, especially its retail operations. Bata employes about 65,000 people in 65 factories and 6,000 stores around the world. Its retail chains include Myrys and Heyraud in France and Pick-n-Pay and Athletes World in North America.

Mr Heath was formerly a senior executive in the international division of RJR Nabisco, the US food group.

His first year at Bata was marked by a succession of senior personnel changes, but the new team had yet to implement a long-range strategy for the company.

The other two executives who have left, Mr Marc Chouinard, chief financial officer, and Mr Bernard Gorecki, vice-president for business development, were among newcomers recruited by Mr Heath. A question also hangs over the future of Mr Stephen Smith, a former British Shoe executive who heads Bata's European operations.

Mr Heath said that he had tried "to balance the strong values of the company with the need for change". But he appears to have overestimated his ability to operate independently of the family shareholders. Referring to Mr Bata, one senior manager said: "You can't appoint a chief executive, and then go and poke your nose in all over the place."

Bata was one of the Czech Republic's biggest industrial empires before the second world war. But Mr Bata moved to Canada shortly before the Nazi occupation, and rebuilt the shoe business.

Bata's board, which incudes several prominent European businessmen, met over the weekend in Bermuda to consider the recent upheavals. Mr Rino Rizzo, executive vice-president, has taken over as acting chief executive.

Geoff Dyer reports on differing attitudes to providing for Eurotunnel's £8bn debt

Banks count the cost of their ill-fated exposure

Perhaps the most surprising thing about Eurotunnel's suspension of interest payments on its £8bn ($12.4bn) loans last month was the muted reaction of its banks.

Even though around 160 of Eurotunnel's 225 banks did not find out about the suspension until the company issued an announcement via the Stock Exchange, the response was subdued. Instead of anger and shock, the banks seemed resigned to the inevitability of Eurotunnel's actions. "We didn't really have a choice," said one banker.

That mood is changing. For a start, the suspension, which could last for up to 18 months, has forced the banks to reassess whether they need to provide for their Eurotunnel exposure. They are also beginning to stake out their negotiating positions with the company.

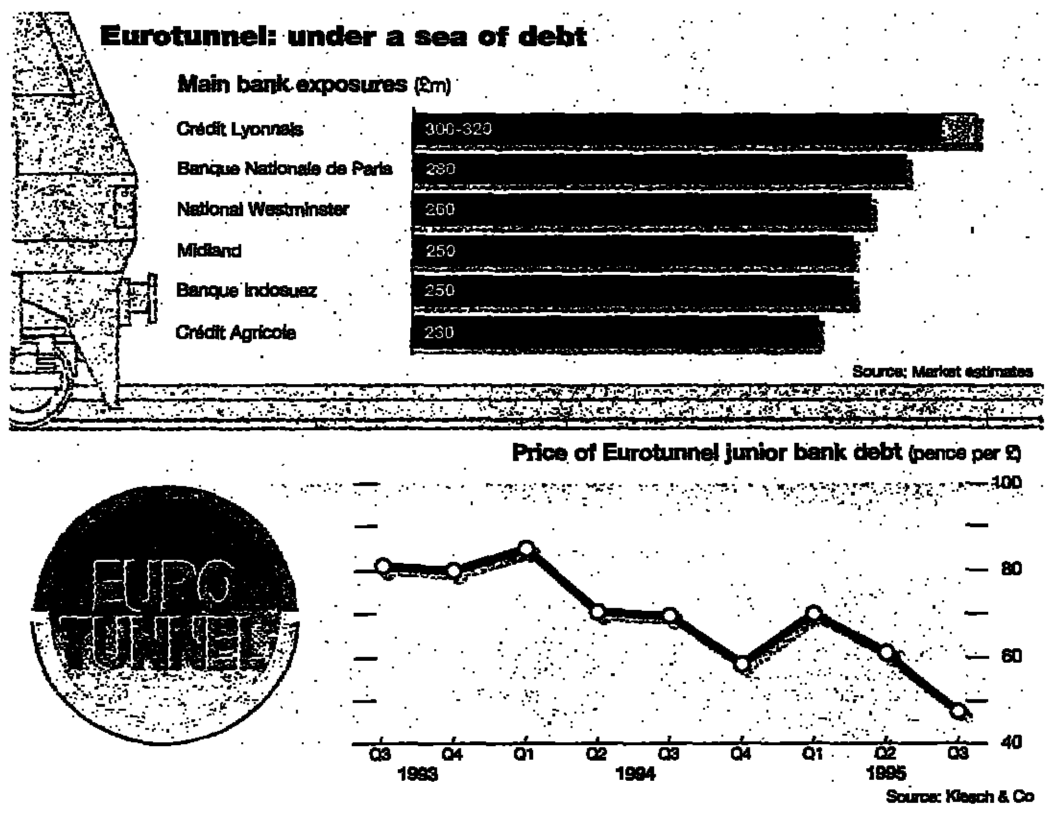
The subject of exposures and provisions is murky. The figures in the table are market estimates. Only two banks have publicly acknowledged that they have made provisions against Eurotunnel – Crédit Lyonnais, believed to be the largest lender to the company, and Crédit National.

But as the financial year for most European banks ends in December, the question cannot be put off. According to one banker not involved in Eurotunnel: "I would not be surprised if the major banks in the syndicate had already made some provision for Eurotunnel."

The rules for providing for bad debts vary from country to country but the principles are similar. For cases such as Eurotunnel, where there is a secondary debt market, the price of the debt is used as a general rule for provisioning. If the debt trades at 60p in the pound, as Eurotunnel has for much of the last year, then in theory the banks should provide for 40 per cent of their exposure.

At the very least, banks have to give their auditors convincing reasons for the secondary market price not being a fair reflection of the value of the debt – by arguing that the market is inefficient or that the price does not take into account information the banks have. "The haggling with their auditors will have started already," says the senior banker.

The provisioning dilemma is particularly acute for French and Japanese banks. They face the largest total exposure – 25 per cent for the Japanese and 20 per cent for the French, according to Standard & Poor's, the US rating agency – but are least able to cope with the problem.



A group of more than 25 Japanese banks lent money to the company in the late 1980s when they all but dominated the syndicated loans market. Their exposures are evenly spread with more than 10 Japanese banks lending between £100m and £150m, the biggest believed to be Industrial Bank of Japan. Eurotunnel's default could not have come at a worse time. According to Mr David Threadgold, financial sector analyst at BZW in Tokyo: "Eurotunnel is just one of many problems they are currently facing."

A number of French banks in the syndicate, notably Crédit Lyonnais and Banque Indosuez, which is understood to have the largest exposure as a proportion of its capital, are also under pressure because taking a large Eurotunnel provision would hit their earnings. "They do not have that much capacity to be aggressive with their provisioning," says Mr Scott Bugie, analyst at S&P.

Although several UK banks have large exposures – particularly National Westminster and Midland – analysts say they can afford to be more relaxed because of their relatively stronger underlying profitability.

These exposures feed into the negotiating positions that the banks are beginning to take. The Japanese banks are under strong pressure from their head offices not to make a loss, so they are reluctant to take solutions such as debt for equity swaps that would involve big write-downs.

The other trend is the growing gap between banks with big exposures and those with smaller ones. The bigger banks tend to be willing to give the company more time in the hope that radical surgery can be avoided, which would see them writing down a large amount of debt.

Many of the banks with smaller exposures tend to take a more aggressive approach. "In a situation such as this, the shareholders should take the brunt of the blow," says one. As the potential write-offs are not so large there is a greater willingness among the smaller banks to take an equity stake, which has some upside potential.

Eurotunnel hopes to present a restructuring plan to the banks by the end of January. In the absence of interest payments, there is a groundswell of opinion among the banks to find a solution as quickly as possible.

However against that is the natural inertia of such a large number of lenders. The internal procedures on a non-performing loan are considerably more complex and for most Japanese banks, the Tokyo head offices have taken over control of the loan. "You need permission to answer the telephone around here," says one banker at a Japanese institution.

Pain-sharing plan, Page 25

Two new bids in pipeline for Aran

By Christopher Price in London

The battle for control of Aran Energy, the Irish oil exploration group, looks set to turn into an auction this week, with an increased offer from Atlantic Richfield of the US and the likelihood of an even higher bid from Statoil, the Norwegian state oil company.

The US oil group's offer, expected today, is likely to be raised from 61.4p a share to around 69p, a move which would increase the value of the bid from £161m to more than £180m ($280m). Aran shares closed 5¾p up on Friday at 72¾p.

Statoil is thought to have had contact with the Takeover Panel at the end of last week and been asked to announce its intention as quickly as possible. Aran said yesterday that after receiving an approach from a "third party" on Friday, it believed the prospects of an offer following were "more than likely".

Despite having close links with the Norwegian company, Aran said it preferred to remain independent unless it received a "proper price". Earlier this month, Aran unveiled an independent valuation suggesting the group was worth £290m, or 106p a share.

This figure has been dismissed by Arco as "fanciful".

The valuation report came days after Aran further strengthened its defences by announcing a joint venture with Statoil to exploit the Irish group's Connemara field.

Speculation that a large oil company, such as Statoil, could come to Aran's rescue has been rife since last week when the Irish group hinted it could enter a strategic alliance with one of the oil "majors" if it successfully fought off Arco. It said that several unnamed oil companies have shown interest in a tie-up.

"A strategic alliance would make more sense to us than being grabbed by someone who wants to pay only for existing assets and nothing for our exploration potential," Mr Michael Whelan, chairman, said at the time.

Aran has close ties with British Petroleum and Amerada Hess, both of which are its exploration partners in the Schiehallion, one of the UK's largest unexploited oil fields. Amerada Hess and Enterprise Oil have also been mentioned by analysts as potential "white knights".

This week: Company news

CIBA

Drugs group hopes to plug gap left by patent expiry

The first signs of the impact of an important drug going off patent should be seen in the nine-month sales figures of Ciba, the Swiss pharmaceuticals and chemicals group, which are to be published on Thursday.

Voltaren, an anti-rheumatic, accounts for more than a quarter of Ciba's pharmaceutical revenues worldwide. Patents on it expired in the US last year, and the first generic competitors appeared during the summer.

Ciba has pointed out that only 20 per cent of Voltaren's sales are in the US, with patent protection remaining in force elsewhere. The group has also brought out a new formulation with patent protection, called Cataflam, which has apparently had a good start.

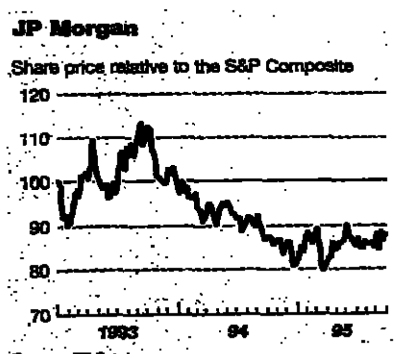
Ciba's total sales in the first six months of 1995 were down 6 per cent to SFr10.95bn ($9.5bn), mainly because of weakness in demand for textile chemicals and the strength of the Swiss franc. In local currency terms, they were up 5 per cent, and Ciba predicted that the full-year sales would be "well ahead" of last year's level.

Sales in the pharmaceuticals division fell 5 per cent to SFr2.79bn (up 6 per cent in local currency terms).

Since the interim report at the end of August, there has been a flurry of announcements about structural changes, suggesting that the group is following the industry trend of becoming more focused.

Production of textile dyestuffs is to be combined and rationalised with plants of BASF, the German chemicals group.

The management of Ciba's self-medication businesses is to be integrated, a consequence of last year's acquisition of the over-the-counter business of Rhône-Poulenc Rorer in the US, and Ciba's composites division is to be sold to Hexcel, a US composites specialist, in return for a 49.9 per cent stake in Hexcel, $25m in cash and roughly $45m in paper.



JP MORGAN

Unpredictable ride on the roller-coaster

It has been something of a roller-coaster year for the J. P. Morgan, the US bank, with first-quarter results better than the market expected and the second quarter somewhat worse. Forecasts for the third quarter, due on Thursday, are correspondingly scattered; but while the earlier quarters were down on the year before, the third could show a slight increase.

The result will depend largely on two factors: trading and fee income on the one hand, and cost control on the other. On the trading front, comparison with last year's turbulent fixed interest markets should still be favourable, though results from proprietary trading will always be unpredictable. Fee income has been improving through the year and this should continue.

Against that, the cost control initiative which the bank announced at the start of the year has proved slightly disappointing.

Although a number of employees were laid off in the first quarter, incurring a special charge of $33m, operating expenses in the second quarter were up 4 per cent, wholly as a result of higher incentive payments to executives.

Forecasts range from around $1.40 a share to $1.70. At the top end, this would be an advance on last year's third quarter figure of $1.63 – the first year-on-year improvement since the final quarter of 1993.

OTHER COMPANIES

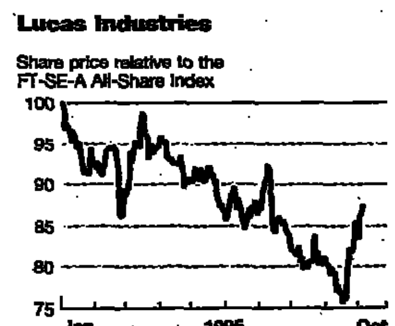
News Corp investors tune in to rugby row

Mr Rupert Murdoch, chairman of News Corporation, the international media and entertainment group, will face shareholders at the company's annual meeting in Adelaide on Tuesday. Domestic issues of concern to Australian investors include the continuing legal fracas surrounding News Corp's "Super League" plans for rugby, and the increasing competition for pay-TV subscribers. Analysts will also be tuned in for any comments on the MCI link-up.

■ **Suez:** The French industrial and financial conglomerate will announce its first-half results on Wednesday amid intense speculation about its future. This follows a shareholder revolt this summer in which the chairman was deposed. Analysts expect no big new provisions against property and predict profits of FFr500m-FFr800m ($102m-$163m), assuming Banque Indosuez, its banking arm, breaks even.

■ **Kone:** The Finnish lifts group is today expected to report pre-tax profits of around FM180m ($42m) for the first eight months, up from FM167m. The company has been hit by tough price competition and the strong markka but sales and orders have been boosted by its $280m purchase of Montgomery, the US lifts group, last year.

■ **Kemira:** The upturn in the chemicals cycle will favour the Finnish group which was partially privatised last year when it reports figures for the first eight months on Thursday. Analysts expect pre-tax profits of more than FM400m ($94m), equalling the FM402m earned for the whole of 1994.



■ **Lucas Industries:** The UK automotive and aerospace systems maker removed any uncertainty about its annual figures when, last week, it said they would be in line with expectations, shorn of its latest round of exceptional provisions to cope with US problems. So, with expectations of pre-tax profits in the £130m-£135m ($201-$209m) range minus a provision of £40m and an exceptional item of £55m, Lucas today will announce pre-tax profits for the year to July of around £40m.

■ **Lloyds Chemists:** The UK's second largest pharmaceuticals retailer is expected to announce flat profits on Tuesday of about £56m ($87m) for the year to the end of June.

Companies in this issue

COMPANIES AND FINANCE

Scholl rebels claim four bid approaches

By David Blackwell

The battle over Scholl intensifies this week with rebel shareholders claiming four unsolicited approaches from potential bidders for the healthcare products group.

The rebels are led by Mr Julian Treger, of the UK Active Value Continuation Fund, who believes the company should sell itself to a larger consumer products group, arguing that it is too small to support its own distribution network. They are urging the appointment of an independent investment bank to seek out such buyers.

Mr Treger said the four approaches included one from a European group, and he was also "aware of interest from a US party".

"We have also been approached by several investment banks with long lists of potential purchasers," he said.

The rebels, who have a 15 per cent stake in Scholl, have requisitioned an extraordinary general meeting, due to take place on October 24, at which they will seek to replace three non-executive directors – Mr Tom Long, Mr Tim Howden and Mr Colin Keith.

The Scholl board has urged rejection of the resolutions and is today due to meet City analysts. It will spend the rest of this week and much of next putting its case to institutional shareholders.

Last week the board wrote to shareholders attacking the attempt to force a sale to a larger consumer products group as "misconceived, damaging and disruptive". Mr Gordon Stevens, chairman, described the directors proposed by the rebels as "short-term investors" who did not merit places on the board.

One of Mr Treger's contentions is that an international consumer products group could make significant distribution savings.

Groups mentioned so far that might take an interest in the Scholl brand include Gillette, Johnson & Johnson, and Colgate Palmolive in the US, and Gehe – now owner of the UK distributor AAH – and Henkel of Germany.

However, analysts believe the brand, which has worldwide recognition, would be much more attractive if it were under one roof again. While Scholl owns the rights for the European and Asian markets, Schering Plough has kept the rights for North America.

Schering Plough will not comment on the possibility of Scholl coming up for sale in the US. But Mr Robert P. Luciano, chairman, only recently described the healthcare division, which includes Scholl, as "strategically important".

Scholl shares closed at 232p on Friday, valuing the group at £158m. Some observers remain puzzled by talk of buyers emerging now as the shares were only 125p last December following a profits warning.

and

T&N looks at joint venture in Germany

By Steve Thompson

T&N, the Manchester-based automotive components group, is thought to be considering starting its own operation in Germany if it is rebuffed in its attempts to forge closer links with Kolbenschmidt, the German components maker.

An attempt by T&N to take over the German group earlier this year was thwarted by the Kartellamt, the German equivalent of the Monopolies & Mergers Commission, which ruled that the acquisition would give T&N unfair dominance in the German motor components market by strengthening Goetze, the German piston ring manufacturer owned by the UK group. T&N has appealed against the ruling and expects a decision early next year.

Its hopes of winning control of Kolbenschmidt are said to have diminished. It is instead examining the possibility of a joint venture with the German group to make pistons.

The UK group currently holds an option to buy about 52 per cent of Kolbenschmidt. If T&N's appeal fails, it could still sell its option at a substantial profit.

Kolbenschmidt's chairman, Mr Heinrich Binder, who is thought to have led the resistance to T&N's overtures, is now said to have accepted that his company cannot go it alone and needs a partner to develop the piston business.

New issues remain subdued despite stock market rise

By Christopher Price

The high level of the UK stock market has had little effect on the subdued level of new issues, according to the latest report from accountants KPMG.

In the first nine months of the year, there were 61 flotations raising £1.8bn, compared with 177 raising £7.7bn in the same period in 1994. During the latest quarter, traditionally a quiet period in the investment community, there were just 18 new issues raising £400m. A year ago, there were 44 new listings raising £1.4bn.

The slack figures come despite the start-up of the Alternative Investment Market, which had hoped to attract new companies in need of fresh capital. Although more than 90 companies have joined Aim since it began in June, only 11 are new and the total new money raised has been small.

New issues and funds raised

Full listing	Issues	Funds raised (£m)*	Average (£m)*
1985	71	1,450	25
1986	112	2,030	28
1987	125	2,409	32
1988	100	1,252	19
1989	78	1,043	20
1990	98	899	22
1991	81	1,623	35
1992	64	2,260	47
1993	163	5,169	42
1994	218	10,138	53
1995‡	61	1,180	34

*After excluding introductions and adjusting for effect of privatisations where funds of over £1bn were raised (British Gas, BT, BSC, TSB, Rolls Royce, BAA and water and electricity privatisations) and exceptional Abbey National flotation.
‡ Three quarters

Mr Neil Austin, head of new issues at KPMG, said that the memory of some of the high-profile crashes among last year's flotations continued to hang over the flotation market.

"Investing institutions are preferring to keep their money in established companies unless they see a very persuasive case. Memories of past problems keep being jogged, the latest example being the rescue bid for Aerostructures Hamble."

EIS, the specialist engineering group, paid £18m two weeks ago for Aerostructures, which valued each share at 31p, just over a quarter of the price when the aircraft parts maker floated in June 1994.

UPF to acquire Bellino for £8m

UPF, the vehicle chassis manufacturer, is buying Bellino Metallverarbeitung, which makes pressings and fabrications for the automotive industry, for £8.4m cash.

Bellino, based near Stuttgart, reported 1994 operating profits of £143,000 on turnover of £9.55m. The results were after substantial leasing charges for assets and property which are also being acquired and have been valued at DM12.7m (£5.6m).

Water company expected to lift offer by 40p in latter half of week

NWW to raise bid for Norweb

By Nicholas Denton

North West Water is this week planning to increase its bid for Norweb, the regional electricity company based in Manchester.

The water company is expected to raise its offer by roughly 40p, which would bring the cash terms to about £11.15p and value the target at £1.74bn. It is also offering a cash and shares alternative. The raised bid is expected in the latter half of the week.

North West Water is seeking to top a £10.85p cash-only bid from Texas Energy Partners, a consortium composed of Houston Industries and Central and South West Utilities, two US electricity companies which have the support of Norweb.

The improved bid from North West Water would be its third, and the fifth in the takeover battle. Of the six recs which have been acquired or bid for, Norweb is the only one to have been subject to an auction.

North West Water, seeking to deter a further bid from the US consortium, has allowed the impression to gain currency that it is willing to increase its bid to £12.00p if necessary. It had acquired 11.7 per cent of Norweb by the end of last week, while Texas Energy Partners has not been buying shares in the market.

The US partners have stronger balance sheets, however, and trade on the stock market at a higher ratio to earnings than North West Water.

Sir Desmond Pitcher, North West Water's chairman, has claimed that joint billing and meter-reading by North West Water and Norweb, which have overlapping territories, would bring substantial savings.

Both Texas Energy Partners and North West Water have discussed co-operation in administration with neighbouring recs, and Scottish Power, which is acquiring Manweb.

It is understood that Texas Energy Partners has been in contact with at least three electricity companies, including Scottish Power. No agreement is likely before the takeover battle for Norweb is finished.

North West Water, which maintains that the greatest savings would come from combining administration of water and electricity customers in the same area, has also put out feelers to recs which adjoin Norweb.

Azlan links to Internet groups

By Christopher Price

Azlan Group, the distributor of network computing products and services, yesterday announced distribution deals with two Internet-related companies – Netscape Communications and Interactive Telephony.

The move comes just two days after a positive trading statement from Azlan added 20 per cent to its share price.

The agreement with Netscape gives Azlan exclusive distribution rights in continental Europe to market the US group's software products for the Internet, the global computer information network. Azlan and Unipalm share distribution rights in the UK.

Azlan has also agreed to act as distributor for Supernet, Europe's largest on-line interactive system for the Internet, which is owned by Interactive Telephony. Azlan will also help with Supernet's European development.

Netscape recently appointed Supernet as its European Internet service provider.

On Friday, Azlan said pre-tax profits were expected to rise from £1.1m to more than £4m in the six months to September, on sales up 90 per cent to £72m (£37.7m). Its shares jumped 70p to a high of 420p.

Azlan was floated at 230p in November 1993.

Dobson announces £26m contracts

By Christopher Price

Dobson Park Industries, the UK mining equipment, electronics and toys group, yesterday attempted to bolster its defence against the hostile £172m bid from Harnischfeger Industries by announcing £26m of new contracts.

The business, won by the group's Longwall International mining equipment subsidiary, included two large equipment orders from US groups. Additional contracts were agreed with UK and Norwegian mining groups for roof supports. Longwall has been a wholly owned subsidiary of Dobson Park for only eight months.

Harnischfeger made its offer on September 1 after informal approaches to the Dobson Park board had been rebuffed. Last week the US group announced that its 110p-a-share bid had been accepted by 0.06 per cent of shareholders and the offer was extended to October 23.

Meggitt to sell Bestobell

Meggitt, the engineering and electronics company, is to sell Bestobell valves for £10m cash as part of a refocusing of its business, writes Jane Martinson.

The buyer is Charles Baynes, the acquisitive engineering and distribution group, which is making a vendor placing of 9.6m shares at 99p. Baynes' shares gained ½p on Friday to 102p.

Bestobell, which produces valves for the gas and water markets, made a pre-tax profit of £700,000 on sales of £8.4m last year. Net assets on completion will be about £4m.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Rhône-Poulenc Rorer (France/US)	Fisons (UK)	Pharmaceuticals	£1.83bn	Fisons rejecting higher offer
Houston Industries (US)/ Central & South West (US)	Norweb (UK)	Power	£1.7bn	Long struggle looks likely
Investor group (Germany/ Switzerland)	Postbank (Germany)	Banking	£1.36bn	White knights wanted
Aegon (Netherlands)	Seguros Banamex (Mexico)	Insurance	£158m	High-growth stake
Ceridian Corp (US)	Unit of NatWest (UK)	Computer services	£33.1m	Non-core disposal
Arjo Wiggins Appleton (UK/France)	Graphtec (S Africa)	Paper distribution	£23m	AWA continues sector growth
English China Clay (UK)	Genstar Stone Products (US)	Building materials	£22.5m	Redland non-core disposal
Northumbrian Water (UK)	Gema (Mexico)	Water	£15.4m	NW's third overseas move
Hicking Pentecost (UK)	Blue Mountain (US)	Textiles	£14.5m	Buy from US Industries
Banca Commerciale Italiana (Italy)	Banco de Lima (Peru)	Banking distribution	n/a	Extends LatAm presence

Top management supports Postbank bid defence

By Peter Norman in Bonn and Nicholas Denton in London

The supervisory board of Deutsche Postbank has thrown its weight behind management efforts to fend off a bid for the bank from a consortium headed by Deutsche Post, while making it clear that it wants co-operation with the German post office.

After meeting on Saturday, the board of the German state-owned giro bank said it unanimously supported Postbank's plans to seek strategic partners elsewhere in the financial services sector and urged management to push them ahead urgently. It rejected as "unacceptable" the DM3.08bn ($2.16bn) bid for 75 per cent of Postbank launched last week by state-owned Deutsche Post with Deutsche Bank and Swiss Reinsurance.

The resolution by the board, which includes government and trade union representatives, represents a defeat for the bid, which prompted Germany's largest hostile takeover battle.

But the Postbank supervisory board also approved draft terms for a long-term agreement with Deutsche Post on the use of post office counters and called on the Postbank management to reach a deal with the Deutsche Post on this as soon as possible.

Mr Günter Schneider, Postbank chief executive, who expressed strong opposition last week to Deutsche Post's bid, said yesterday that he wanted to co-operate with the post office. "Both companies need each other," he said.

Deutsche Post and Postbank have long been negotiating a co-operation deal to replace an existing pact on use of post office counters that expires at the end of 1996. A Postbank spokesman said the two sides came close to agreement in February over a deal until 2015 but this foundered after Deutsche Post added a condition that Postbank close 180 advice centres in post offices by the end of this year.

The impasse over the post office counters appears to have been a key factor behind the Deutsche Post-led bid for Postbank. Ironically, an amicable solution could enable Postbank to complete negotiations on its rival scheme to bring in life assurance, insurance, housing finance and investment companies as capital holding partners that would help develop Postbank's services and prepare it for stock exchange listing.

Postbank, told by its supervisory board to move ahead rapidly with its privatisation plans, is intending to reach agreement with its investors at the beginning of 1996 and mount a flotation in 1997 or 1998.

In an interview in yesterday's Welt am Sonntag newspaper, Mr Wolfgang Bötsch, the Bonn post and telecommunications minister, said he had supported Deutsche Post taking a stake in Postbank as a way of ensuring that Germany continued to have a nationwide network of post offices. Postbank had not been able to reach agreement with its chosen partners because future links with the post office were still unclear, he added.

However, Saturday's Postbank statement indicated that the post ministry is now taking a neutral stance in the dispute. The bank's rejection of the Deutsche Post bid could only have been unanimous if it was approved by the ministry's representative on the Postbank board. In yesterday's interview, Mr Bötsch gave a further indication that he no longer supported Deutsche Post's bid. He said he doubted the DM3.08bn offered was the right price and was letting experts check it.

Meanwhile, Deutsche Bank has said it does not seek any influence over Postbank business policy through its participation in the Deutsche Post bid. In an interview with Spiegel magazine, Mr Ronaldo Schmitz, a Deutsche Bank managing board member, said it wanted to hold its planned 20 per cent stake in Postbank for two to three years while the bank was prepared for listing.

Postbank's future is now likely to become a political issue with the parliamentary post committee due to discuss the rival plans on October 25.

Eurotunnel joint-chairman looks to the long term

After much mature reflection, the loss-making group has a pain-sharing plan, says Andrew Jack

Mr Patrick Ponsolle, joint-chairman of Eurotunnel, has a simple phrase to describe the expectations of all those involved at the time when the cross-channel link was first planned: "A collective illusion".

Banks, contractors and shareholders alike believed "the tunnel would be easy to construct, extraordinarily profitable for everyone, that the pie was so large that they would all get a large slice of it. The reality was slightly different," he says.

Faced with intense competition on the cross-channel route linking France and the UK, escalating costs and what he sees as broken promises by those on whom it relied, Eurotunnel saw no alternative but to invoke the clause in its contract with its bankers last month allowing it to suspend interest payments on junior debt for 18 months. Last Friday, it added to the gloom by publishing increased half-year losses of FFr3.7bn ($738m) and reduced revenue projections for the full year.

Mr Ponsolle says his hope in the face of this news is that it does not obscure another message: "We have made a lot of progress in the last few months and this will continue. The systems are operating, there is an improving quality of service, the number of passengers and the volume of traffic is high. Everyone is convinced that this is going to be a tremendous success in the long term."

Making the leap from the current situation to that long-term, sustainable goal is the current challenge. Mr Ponsolle says that there have already been many months of "mature reflection" on the next step: a reorganisation plan the outline of which should be ready for approval by the end of January.

He is reluctant to spell out the details, which are still under discussion, but he likes to call it a "pain-sharing scheme" in which "all the parties involved in the creation of Eurotunnel will suffer" bearable levels of financial damage.

First comes TML, the consortium of contractors for the tunnel, which is being pursued for compensation. He believes Eurotunnel's dispute with them will shortly go to arbitration at the International Chamber of Commerce in Paris.

Second are disputes with the national railway companies, which are already in arbitration. He wants money in exchange for the delays in meeting their commitments, but also the right to increase by 50 to 60 per cent the fees per passenger they pay to Eurotunnel.

He adds that people are beginning to be "a little bit frustrated" by the fact that while the French provided high-speed rail links and improved motorways to the tunnel, there has still been no such reciprocal action on the other side of the Channel.

Third are the French and UK governments, whom he wants to see restore a "level playing field" against the ferry companies.

He calls for swift implementation of parliamentary calls for safety standards for the ferries which match those imposed on Eurotunnel, and a reconsideration of the "constraints" and "lengthy approval" on so many decisions which have to be approved by the inter-governmental commission.

Unless the two countries redress these conditions, he says, "we will use every means to seek compensation".

Fourth are the creditor banks, whom he acknowledges have avoided pain until now. "They should understand the company is not going to pay more interest in cash than it can generate in the coming years."

Fifth is Eurotunnel itself.

Patrick Ponsolle: looking for consensus based on hard facts

"We should be more creative commercially and technically", as well as cutting costs. "We have a system designed by other people. We now see its shortcomings. We need to marginally redesign it."

Finally, he says that the management and directors of Eurotunnel see themselves above all as "defenders of our shareholders", whom he acknowledges have already suffered substantially.

"We are going to fight for our initial shareholders to conserve most of the long-term profits of the company. I am not excluding that they will be asked to take additional pain, but only when the other parties have already contributed."

So how does he rate the chances of success?

"The chances for the continuation of the tunnel operations are 100 per cent. The chances for the continuation of the company are 95 per cent. I think everyone is convinced that administration would be catastrophic. The consensus is that we should by every means prevent it. The risks would be extremely large."

As for the pain-sharing scheme currently under discussion, he puts the odds at 50:50.

"There is a one in two chance that it will fail, the same that it will succeed," he says. "That seems to be sufficiently realistic to be worth fighting for. If it fails, we would need a massive surgical act, such as a large debt forgiveness or a very large debt-equity swap."

If it succeeds, he says that "everyone will rush in to invest – even British pension funds." But for the plan to work, he says there needs to be consensus "based on hard facts" and not on the illusion of the past.

"People sometimes have problems accepting the facts – even bankers. There is so much distance between former illusion and present reality that it is very difficult to make the step." But he is reluctant to say how he might have done things differently if the company could begin again. "You can never go back and you should not. If there had not been a collective illusion, perhaps the Channel tunnel would never have been built."

Dresdner Bank in hunt for US fund

By John Gapper in Washington

Dresdner Bank intends to follow its £1bn ($1.58bn) purchase of the UK merchant bank Kleinwort Benson by buying a US fund manager to give it access to American investors, members of Dresdner's managing board said yesterday.

Mr Jürgen Sarrazin, chairman of Dresdner's managing board, said that it would consider making acquisitions of securities or fund management companies to reinforce its position in investment banking.

Kleinwort would not be its last acquisition "even though we may consider projects of rather more moderate size for the time being. We will take advantage of opportunities as they fit into our overall strategy," he said.

At a Washington press conference Mr Gerhard Eberstadt, managing director in charge of asset management, said Dresdner would try to reinforce its US operations by buying a domestic fund manager. Dresdner would "try to develop with appropriate acquisitions" in the US. Mr Eberstadt said it would seek a company which had access both to institutional funds, and high net worth individual investors.

Mr Sarrazin said Dresdner had decided to develop investment banking operations by itself rather than in combination with Banque Nationale de Paris, with which it has cross shareholdings and an alliance.

He said it had chosen not to involve BNP in the Kleinwort acquisition as attempting to combine three cultures would have been too difficult. It would keep the alliance for commercial banking activities.

Dresdner has just re-organised its US operations to prepare for the breaking down of barriers between commercial and investment banking, and Mr Sarrazin said it was determined to build a global investment bank.

Heavy demand for shares in Lihir Gold

By Nikki Tait in Sydney

Heavy demand for shares in Lihir Gold, which is planning to develop a large new gold mine on Lihir Island in Papua New Guinea's New Ireland province, has led the institutional issue price to be set at A$1.57.

This is the top of the A$1.32–$1.57 range at which investors were invited to bid for stock.

Lihir shares are due to start trading in Australia at 2pm today (Sydney time) and seem likely to open at a premium.

The company said it could have raised four times the US$450m it was actually seeking via the flotation of about half its equity. Lihir, which marketed the shares in PNG, Australia, Asia, Europe and the US, said there had been strong demand from all regions.

As a result of the offer, Australasian institutions are being allocated 97m shares, and will pay A$1.57 a share for these. International and US investors will get 106m shares, at a price of US$23.86 per American Depositary Share (each of which represents 20 shares).

Private investors in Australia (including shareholders in Niugini Mining, one of the existing owners of Lihir) will get 125m shares, paying the fixed price of A$1.50 a share. PNG residents will be allocated 59m shares at K1.50 each.

This will raise US$450m for the company and leave 513m of the 900m shares in the hands of the three existing Lihir partners.

Southern Gold, in which Britain's RTZ has a 75 per cent interest, will hold 205m shares, or 22.8 per cent of the equity; Niugini Mining, 154m shares, or 17.1 per cent; and the PNG government a further 17.1 per cent.

Money raised via the equity offering will be added to US$300m of debt financing, to fund the cost of developing the mine.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Gerard Baker in Tokyo

Keeping the bond bubble aloft

One Japanese bank has made something of a name for itself in the government debt market recently. But, fortunately for the rest of the banking sector, the Daiwa debacle in the US treasuries market has a rather more positive counterpart on the other side of the Pacific.

When they declare their half-term results next month, Japanese financial institutions will report spectacular gains on their holding and trading of Japanese government bonds. The JGB market has been the only real financial beneficiary of the country's continuing economic slump this year – the yield on the 10-year benchmark bond has fallen from 4.72 per cent at the start of the year to 2.71 per cent last week.

Indeed this year has proved merely the latest phase in an unprecedentedly strong five-year bull market. Since the summer of 1990 the 10-year bond yield has declined more or less steadily from 8.3 per cent to its current level.

Banks, of course, are not the only winners. Most categories of investor have enjoyed the benefits of the capital appreciation implicit in those yields. Foreigners have done especially well, since over the same period the yen has appreciated by about 30 per cent against leading currencies.

With those kinds of gains it is hardly surprising that the market now finds itself troubled by talk of a bond bubble – the sackcloth and ashes 1990s counterpart to the equity market bubble of the champagne and strawberries 1980s.

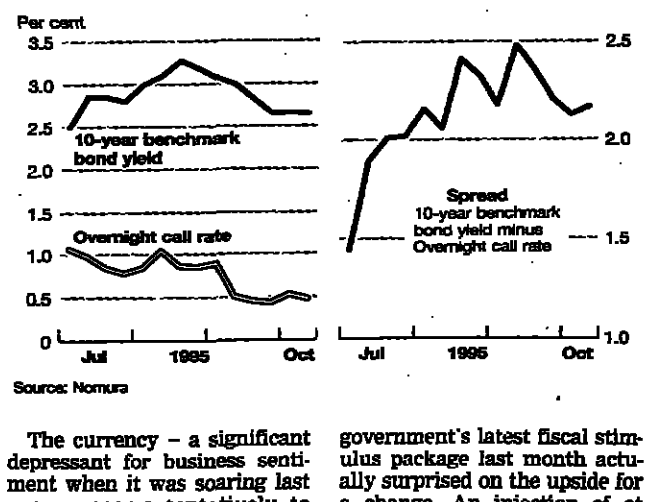
Fears that the market has become overbought were clearly prevalent last week when heavy selling prompted a sharp rise in yields after several weeks of solid gains.

But is the bond bubble about to burst?

Last week's sell-off marked a small but perceptible shift in sentiment about economic prospects. In the last three months the authorities have pressed just about every button at their disposal to produce the elusive economic recovery.

Nominal short-term interest rates are at 50-year lows and even real interest rates have now fallen to levels that suggest policy is easy by historical standards.

Japanese interest rates



Source: Nomura

The currency – a significant depressant for business sentiment when it was soaring last year – seems tentatively to have turned, helped lower by some forceful policy intervention. Although hopes are not high that the yen will get much above the level of Y100 to $1, that still represents a 20 per cent depreciation from its peak in the spring.

Perhaps most important, the government's latest fiscal stimulus package last month actually surprised on the upside for a change. An injection of at least Y7,000bn (£44.9bn) in something like real money – 1.5 per cent of gdp – can hardly fail to produce growth of some sort.

All this talk of reflation has the bond market a little worried. But it is really spooked by an even bigger fear.

Total return in local currency to 5/10/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.11	0.20	0.13
Month	0.49	0.08	0.36	0.49	0.85	0.56
Year	6.31	2.69	5.75	6.44	10.25	7.50
Bonds 3-5 year						
Week	0.84	0.35	0.61	0.29	0.26	0.84
Month	0.70	1.89	1.03	-0.27	0.74	0.64
Year	12.37	13.38	13.77	11.33	15.14	13.68
Bonds 7-10 year						
Week	1.42	0.35	0.65	0.17	0.08	1.02
Month	1.14	2.78	0.66	-0.65	-0.26	0.20
Year	18.47	18.54	15.94	13.93	15.58	15.43
Equities						
Week	-0.4	1.7	1.8	1.8	-0.9	2.0
Month	2.9	4.0	-1.9	-4.3	-4.2	0.6
Year	32.3	-6.1	11.9	3.3	-0.9	24.3

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are owned by The Financial Times Limited, Goldman Sachs & Co. and Standard & Poor's.

That fiscal stimulus package may not only stoke consumption and inflation, it could flood the bond market. Of the Y7,000bn injection, some will be absorbed by public funds, the rest will come to the debt market. Opinions are divided as to how much will have to be taken up by the private sector. But total bond issuance for the year seems likely to be more than Y21,000bn – the highest for more than a decade – with a net inflow to the market this year of at least Y5,000bn – also a 10-year high.

That extra debt comes at a time when concerns about the medium and long-term outlook for the JGB supply are escalating. The mess in the banking system will, it seems, eventually require the use of public funds – perhaps more than Y5,000bn, in a US savings and loans-style bail-out.

And the long-term fiscal position continues to deteriorate. The total fiscal deficit could be as much as 5 per cent of gdp this year, most of it structural, as demography begins to move against the country's fiscal balances.

But there are problems with this supply-led view of a bond market crash. A strong correlation between bond issuance and bond yields might seem intuitively obvious, but in Japan (as elsewhere) it does not stand up to much empirical evidence. Not for the first time, the bubble of the last five years has been achieved as the fiscal position has experienced its worst deterioration for decades. Next year's public sector deficit of 5 per cent of gdp was a surplus of 5 per cent of gdp in 1990.

Of more importance, clearly, in determining bond yields is monetary policy. That remains as easy as it has ever been, and though some might fear this means that the only way for short-term interest rates is up, those fears should be deferred awhile. For the immediate future, the Bank of Japan shows no sign of taking its foot off the accelerator.

Perhaps most important, all of this overlooks the principal motor for the bond market rally in recent years – a structural shift in investor demand. Japanese institutions have turned to fixed income securities in droves. The aversion to risk that now characterises the investment policy of the big investors – life insurers and banks – has resulted in a flight from both equities and any assets denominated in foreign currencies.

According to research by Morgan Stanley in Tokyo, for example, life insurers' portfolios of domestic public and corporate bonds has grown from 7 per cent of their total assets in 1991 to 20 per cent today. In the same period foreign bond allocations have declined from 15 per cent to 6 per cent, and equities from 21 to 19 per cent.

Fixed income assets offer the institutions and their battered customers simplicity itself – a degree of security. And with cash now yielding virtually nothing there are literally no alternatives.

In short, the Japanese funds seem fully prepared to continue to underpin the market, whatever the level of new supply. What a pity no one told Daiwa.

COMMODITIES Richard Mooney

Aluminium outlook uncertain

Aluminium traders will return from the weekend break today to face an uncertain outlook.

Initially all eyes will be on Canada, where three Alcan Aluminium smelters were hit on Friday by an all-out strike. The likelihood of a stoppage at the smelters, which have combined annual production capacity of nearly 500,000 tonnes, was one of the chief factors underpinning aluminium last week as other London Metal Exchange contracts sagged.

The union representing the 3,000 workers who walked out after the failure of labour contract negotiations with management, said on Friday it was prepared to resume talks "at any time", but would not make any concessions on monetary issues.

A protracted strike would clearly be bullish for aluminium prices, but following Friday's failure of the LME three months delivery price to hold on to early gains that lifted it above $1,800 a tonne it appears more likely to provide a price prop than upward momentum. A quick settlement at Alcan, on the other hand, could leave the market vulnerable to the overall bearish sentiment from which other base metals markets have been suffering.

A clue to the underlying outlook for aluminium prices will become available tomorrow, when the International Primary Aluminium Institute publishes its assessment of end-August stock levels.

With producers beginning to restore to production capacity made idle early last year under the multilateral "memorandum of understanding" and the erosion of LME warehouse stocks slowing recently, the broader picture painted by the institute's figures could prompt a reappraisal of aluminium price prospects.

● Other events this week include Agri-Food China '95 – the country's first international food and agribusiness forum. It begins in Beijing tomorrow and runs for three days.

Albania's first Agro-Foodstuff Fair, a 7-day event, began in Tirana yesterday.

Economics notebook / Robert Chote

Consolidation caveat

The elimination of excessive government borrowing has long been prescribed by the international policy-making establishment as a sure-fire remedy for every economic ill. Does your country suffer from feeble growth, high inflation or a weak currency? You name it and fiscal consolidation will cure it.

US anxiety about the weakness of the dollar is a case in point. Mr Alan Greenspan, Federal Reserve chairman, and Mr Robert Rubin, treasury secretary, have both predicted that a determined effort to eliminate US government borrowing would have the beneficial side-effect of strengthening the currency.

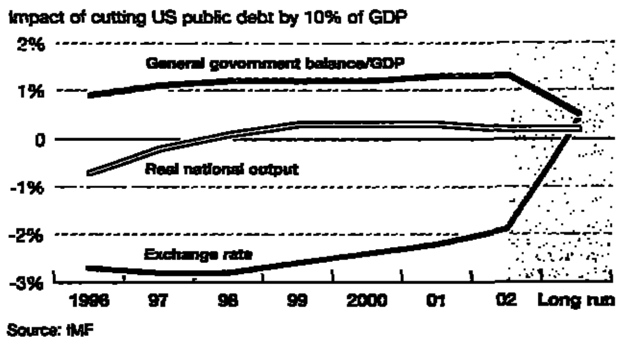
But would cutting the deficit really boost the dollar? Recent history suggests not. In the last 15 years the currencies of the world's largest industrial nations have often been strongest when finances have been at their weakest. This was true of the US in the early 1980s, Germany in the aftermath of unification and Japan during its current period of economic stagnation.

This link between strong currencies and weak budgets is easy to rationalise. Fiscal expansion boosts domestic spending, sucking in imports and widening the current account deficit. This has to be financed through an inflow of capital attracted by higher domestic interest rates. And domestic rates can only exceed the world interest rate if the currency rises sufficiently for its expected depreciation to offset the differential.

Economists have criticised this simple theoretical picture for neglecting the fact that the current level of the exchange rate depends in part on expectations of future exchange rates and changes in government policy. But econometric work at the International Monetary Fund suggests this caveat has not in practice overturned the relationship which basic theory predicts.

Deficit cutting boosts the dollar - eventually

Impact of cutting US public debt by 10% of GDP



Source: IMF

In the longer-term, however, there is a way in which tackling budget deficits can push a currency higher. Fiscal consolidation raises national saving and allows domestic residents to accumulate more assets. This makes them feel wealthier and encourages them to spend. The rise in spending sucks in imports, puts upward pressure on interest rates and pushes the currency higher.

A study published in the IMF's World Economic Outlook last week analyses how these short and long-term effects are likely to interact.

Imagine that US fiscal policy were tightened, with the aim of cutting government debt by the equivalent of 10 per cent of national income. Say this was done by raising the tax rate imposed on household income by 1 percentage point for 10 years beginning in 1996 and then reducing it so that the debt to national income ratio was stabilised.

The graphic illustrates that this fiscal consolidation depresses economic activity in the short run, pushes down interest rates and prompts a fall in the dollar so it is then expected to appreciate. The dollar drops by 2.8 per cent over the first three years and only then begins to pick up. The dollar eventually ends up 0.4 per cent higher than its initial level, but six years into the period of consolidation it is still almost 2 per cent down.

When you consider how far away the "long term" lies in this exercise, is there no other way in which fiscal consolidation could boost a currency more quickly? After all, in recent years there has been a link between weak budgets and weak currencies in some countries. Finland, Italy and Sweden saw their currencies weaken while they ran fiscal expansions in the early 1990s and Germany's consolidation of the last three years has not pushed the D-mark lower.

One possibility is that the fall in the dollar since late 1994 was already pricing in expectations of a fiscal tightening from the end of 1995 and beyond. The exchange rate might therefore already have fallen enough to create an expected appreciation sufficient to offset the interest rate differential.

Financial markets may also change their minds about the riskiness of holding a particular government's bonds. A government with a big budget deficit may find investors demanding a higher yield on its debt, but at the same time see its exchange rate fall as mutual funds and the like shift their investments overseas for safety. The differential between a country's interest rate and the world rate will therefore not be determined solely by the expected change in its exchange rate if there is also a risk premium.

A country may find its interest rate rising because investors demand a higher return simply to hold an asset in a particular currency. But this premium is thought not to exceed 1 percentage point for most industrial countries. A second premium reflects "political risk" – fears of capital controls or that the government will default on its debt. This is likely to be well under half a percentage point.

The IMF study argued that a reduction in macroeconomic uncertainty reduces perceived exchange rate risk, which might allow the currency to rise even while domestic interest rates fell. The study estimated that risk premiums were probably important for the likes of Italy, Sweden and Canada, but that there was no evidence that they were important for the US.

So economic theory cannot generate any firm conclusions about the links between budget deficits and exchange rates. There is evidence that fiscal consolidation may lift the currency of a country whose budget deficit is very large as a proportion of national income. But while there may be many good reasons for the US government to cut its borrowing, a desire to push up the dollar is probably not among them.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 6 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY OCTOBER 5 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.44	7.5	172.98	117.46	136.83	161.13	9.5	4.03	184.84	173.17	117.38	137.43	161.74	191.01	157.95	166.40
Austria (26)	180.18	-1.4	168.98	114.75	133.67	133.58	-9.2	1.34	178.95	167.64	113.64	133.04	132.98	199.28	167.48	180.34
Belgium (35)	192.93	14.5	180.94	122.87	143.13	139.63	5.8	3.74	192.78	180.61	122.43	143.33	139.84	201.12	161.66	161.66
Brazil (26)	148.59	-8.9	139.36	94.63	110.23	262.12	3.0	1.61	147.97	138.63	93.97	110.02	261.07	-	-	-
Canada (100)	144.84	11.9	135.84	92.24	107.45	139.70	6.3	2.66	144.65	135.51	91.86	107.55	139.84	150.83	121.81	135.75
Denmark (33)	279.48	11.0	262.12	177.99	207.34	211.00	1.2	1.54	280.51	262.79	178.14	208.55	211.82	295.99	236.61	243.49
Finland (25)	251.22	35.1	235.62	159.99	186.38	227.35	22.9	1.41	249.21	233.47	158.26	185.28	224.61	276.11	171.13	179.96
France (100)	171.22	4.7	160.58	109.04	127.02	134.69	-1.6	3.26	172.45	161.56	109.51	128.21	134.17	191.17	157.79	162.45
Germany (59)	158.15	10.3	148.33	100.72	117.33	117.33	1.6	2.03	160.47	150.34	101.91	119.31	119.31	167.74	134.98	134.99
Hong Kong (55)	384.14	17.8	360.29	244.65	285.00	381.36	17.7	3.79	384.55	360.27	244.21	285.92	381.70	391.00	277.40	381.22
Ireland (16)	246.47	19.5	231.16	156.97	182.85	215.63	14.6	3.51	247.39	231.77	157.11	183.94	216.30	249.46	195.34	200.81
Italy (59)	74.58	-0.9	69.95	47.50	55.33	90.08	-1.2	1.69	74.92	70.19	47.58	55.70	90.18	82.71	65.45	79.59
Japan (483)	147.64	-5.8	138.66	94.15	109.68	94.15	-4.9	0.81	147.10	137.81	93.42	109.37	93.42	164.82	136.95	158.61
Malaysia (108)	482.88	0.7	452.61	307.34	358.02	471.43	-0.0	1.74	483.86	453.31	307.28	359.75	472.53	567.20	398.16	567.20
Mexico (18)	1075.29	-24.1	1008.49	684.80	797.73	7682.97	0.8	1.81	1045.93	979.87	664.22	777.64	7450.32	2302.03	647.81	2192.30
Netherland (19)	257.82	18.9	241.81	164.19	191.27	188.36	9.7	3.47	259.25	241.94	164.00	192.01	188.74	263.99	205.92	205.92
New Zealand (14)	78.16	10.9	73.31	49.78	57.99	62.67	7.2	4.55	78.28	73.34	49.71	58.20	62.95	85.49	69.56	70.42
Norway (33)	231.69	8.7	217.30	147.55	171.89	198.33	1.3	2.13	232.16	217.50	147.43	172.61	198.15	243.79	192.92	196.62
Singapore (44)	376.87	1.0	353.46	240.01	279.80	248.09	-1.0	1.68	376.19	352.44	238.90	279.70	247.47	414.26	313.94	384.43
South Africa (45)	357.11	6.1	334.93	227.43	264.93	285.78	-4.7	4.08	355.08	332.66	225.49	264.00	284.29	363.22	281.06	312.71
Spain (38)	145.92	10.6	136.85	92.93	108.25	136.60	4.0	4.13	147.47	138.16	93.65	109.65	138.20	160.51	124.10	136.03
Sweden (48)	308.41	33.5	289.25	196.41	228.81	320.93	26.2	1.86	309.30	289.77	196.43	228.97	318.88	320.43	220.11	220.39
Switzerland (41)	217.24	31.5	203.74	138.35	161.16	154.68	15.4	1.72	216.44	202.77	137.45	160.92	154.20	217.24	158.38	160.16
Thailand (46)	168.69	6.7	158.21	107.43	125.15	164.43	6.7	2.48	167.18	156.63	106.17	124.30	163.03	-	-	-
United Kingdom (207)	225.66	15.8	211.64	143.71	167.41	211.64	14.6	4.04	227.06	212.72	144.20	168.82	212.72	227.07	187.07	192.80
USA (504)	238.56	27.1	223.75	151.93	176.99	238.56	27.1	2.46	238.52	223.45	151.47	177.34	238.52	239.87	182.33	184.74
Americas (650)	218.07	25.2	204.52	138.88	161.78	182.89	25.4	2.45	217.96	204.19	138.41	162.05	182.81	-	-	-
Europe (739)	193.98	14.8	181.93	123.54	143.91	164.07	8.9	3.08	195.05	182.73	123.86	145.01	164.64	199.02	163.04	165.71
Nordic (138)	284.81	26.9	267.12	181.38	211.29	249.48	18.5	1.76	285.12	267.11	181.07	211.98	248.20	295.02	213.93	214.80
Pacific Basin (832)	158.40	-3.6	148.56	100.88	117.52	104.59	-3.1	1.25	157.78	147.82	100.20	117.31	103.95	173.52	145.93	168.09
Euro-Pacific (1571)	173.13	4.2	162.37	110.26	128.44	127.12	1.8	2.10	173.21	162.27	110.00	128.78	126.90	178.33	154.73	166.96
North America (604)	232.77	26.4	218.31	148.24	172.68	231.95	26.1	2.47	232.71	218.01	147.78	173.02	231.91	233.93	178.98	181.69
Europe Ex. UK (532)	172.91	14.2	162.17	110.12	128.28	138.02	5.8	2.52	173.79	162.81	110.36	129.21	138.37	178.46	146.45	147.67
Pacific Ex. Japan (349)	259.00	8.7	242.91	164.95	192.15	226.72	8.8	3.23	259.27	242.90	164.65	192.77	227.04	266.72	211.19	259.96
World Ex. US (1762)	174.14	4.1	163.33	110.90	129.19	130.86	1.7	2.15	174.16	163.16	110.60	129.49	130.41	178.73	155.42	168.89
World Ex. UK (2059)	190.78	11.6	178.93	121.50	141.54	157.03	9.6	2.08	190.65	178.61	121.07	141.75	156.73	191.32	163.46	171.23
World Ex. Japan (1783)	219.73	19.7	206.08	139.93	163.01	204.96	17.3	2.76	220.10	206.20	139.77	163.64	205.17	220.96	178.95	182.93
The World Index (2266)	193.83	12.0	181.79	123.44	143.80	161.84	10.3	2.27	193.83	181.59	123.09	144.11	161.64	194.25	165.92	173.14

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.84 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent change during the week ending 6/10/95: Deletion: Home Oil Co. (Canada). Constituent change with effect 10/10/95: Addition: VA Stahl (Austria) (Large Cap Index).

EMERGING MARKETS: This Week

The Emerging Investor / **Edward Luce in Manila**

Technical rally leaves brokers baffled

Last week's jump in Philippine inflation from 8.4 per cent to 11.8 per cent has sent Manila-based analysts scrambling to revise year-end market forecasts.

The steep rise in inflation, the biggest monthly rise in years and the highest annual rate since 1991, caused the stock market to plummet by 1.9 per cent on Wednesday as the figure seeped out.

Since then the market has regained ground, ending the week at 2,640 – or 22 points higher than Wednesday's close. However, the technical rally, as local brokers have described Thursday and Friday's mini-recovery, is expected to be short-lived.

"We cannot understand why the market rallied at all," says Mr Matthew Sutherland at Asia Equity Securities, one of the largest foreign brokerage houses in Manila. "All the foreign institutional investors we have spoken to in the last few days are planning to steer clear of the Philippine market until the government proves it can control inflation."

Overseas portfolio funds account for roughly two-thirds of the PSE's daily turnover.

Just two months ago brokers were predicting that the composite index would touch 3,000 by the end of the year, which is below the PSE's high of 3,300 in January 1994, but well above the nadir witnessed earlier this year in the wake of the Mexican crisis.

Since Wednesday, however, the picture has turned upside down. Year-end forecasts now average between 2,250 and 2,500, which suggests that the market has a lot further to fall in the last quarter.

"One of the main worries is that the government is going to push up interest rates quite steeply to try and choke off inflationary pressures," says Mr Noel Reyes, chief researcher at Dharmala Securities. "This will have a negative effect on corporate earnings and hence on stocks."

Indeed, at 10.7 per cent on Friday the central bank's bellwether 91-day T-bills are well below the headline inflation rate. The indications are that the authorities will push the T-bill rate up to a minimum of 13 per cent in the next few weeks to dampen speculative borrowing.

This will feed into prime lending rates of about 20 per cent, which in turn will curtail private sector borrowing and corporate profit margins. Net profit increases averaged around 25 per cent in the first half of the year.

The second worry concerns two forthcoming rights issues. Later this month Fil-Estate Land (FEL), a low to middle-income housing group, is to release 200m shares at 19.5 pesos a share. Its parent company, Fil-Invest Development Corp, has just completed an international roadshow for a secondary rights issue of 5bn pesos ($200m) at 26 pesos a share.

FDC's offering met with a poor response overseas and will, by all accounts, face a correspondingly anaemic reception at the public listing next week. "This is not a good time to issue shares," says Mr Reyes. "But if you had to buy one or the other we would certainly go for Fil-Estate Land."

Owing to its concentration in low and middle-income housing Fil-Estate Land, which is to release the shares on October 24, is considered insulated from the expected collapse of the top-end property' market. According to government calculations, demand for low-income housing is expected to outstrip supply until 1998 as disposable incomes rise in line with economic growth.

FDC, by contrast, is heavily exposed to luxury real estate ventures, such as its 240ha Corporate City project in Alabang, Manila, and its minority stake in Fort Bonifacio, a 214ha prime site property development in central Manila.

Prime land prices in Makati, Manila's business district, have doubled to about $10,000 a square metre since January. An eventual glut of top-end property space is therefore considered probable.

FDC's offering, however, is not the only stock facing questions. With historically high gearing ratios the majority of property companies would be badly stung by a steep rise in the cost of debt. With liabilities at around 40 per cent of total equity, Ayala Land, the country's largest property stock, is one of the few which is considered relatively immune to the expected increase in the cost of borrowing.

Others such as Megaworld, which reported net profits more than doubled to 426m pesos in the first half, are more likely to suffer in the event that the property bubble bursts. Megaworld has several luxury residential and office in the pipeline and a steep debt-equity ratio.

The third worry being voiced loudly by many brokers last week was the government's leaking of the inflation figure. The National Statistics Office distributed the September inflation figure to a select group of stockbrokers in advance of the official release on Wednesday, which was issued after the market closed. As a result, those left in the dark lost money as the market nosedived.

The stock market authorities are now investigating. "We are looking into this matter," says Mr Eduardo De Los Angeles, president of the PSE. "Some brokers knew at about 9am, when even president Ramos did not find out until 3pm. I have asked the PSE surveillance office to identify which brokers were informed before everyone else."

Mr De Los Angeles, who is expected to become head of the SEC next year after his term at the PSE expires, says he is confident that the campaign to root out insider trading would gather pace.

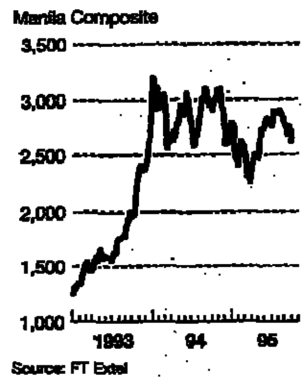
A much-awaited capital market reform programme, which was delayed until August because of a public row between the government and Ms Rosario Lopez, then head of the SEC, is going ahead. The removal of Ms Lopez and the subsequent acceleration of attempts to prosecute companies suspected of insider trading will restore foreign investors' confidence in the market, says Mr De Los Angeles.

"We hope that our first successful conviction will send a signal to foreign investors that the market is becoming more equal.

"Our main worry at the moment is over inflation, not insider trading."

Philippines

Manila Composite



Source: FT Extel

Indices

The IFC has announced that from today its market indices for emerging markets will be available on a daily basis. Until now the indices have been calculated weekly. The IFC, which is a member of the World Bank Group, also said the Czech Republic would be added to the list of markets covered, which brings the total to 27, and that the China index would enter both the composite and Asian regional indices from today.

The IFC Global Czech index will be calculated on 65 stocks, with a market capitalisation of some $10.4bn, representing about 70 per cent of the total capitalisation of the Prague exchange.

The IFC Investable Czech index will have five constituents, representing 40 per cent of market cap. The Czech index is scheduled to enter the composite index series in January 1996.

Funds

Fund flows into the emerging markets of east Europe fell back significantly during the second quarter, according to research by Micropal. This followed a first quarter in which some $80m (£51.6m) was pumped into the region. The survey tracked country allocation shifts of 12 eastern European regional equity funds, managed by 11 portfolio managers.

The total net assets of the 12 funds at the end of June was some $650m. Micropal's Mr Ian Wilson said buying and selling "basically netted out to near zero during the quarter".

News round-up

The Czech republic was the most popular place for funds in the second quarter, with an estimated $30m flowing there.

"Slovakia also managed to attract small net positive flows," said Mr Wilson. "On the sell side, money flowed out of mainly Poland and Hungary, and to a smaller extent out of Russia."

Slovenia

Slovenia is expected to be able to fulfil conditions which will enable shares of newly privatised companies to come onto the equity market, Reuter reports from Ljubljana.

Mr Drasko Veselinovic, chief executive of the country's stock exchange, said takeover legislation was expected to come before parliament before the end of the year. The law would prevent hostile takeovers. In addition a registry of shares would be set up in the near future. The first newly privatised companies could be listed on the exchange before the end of 1995.

It is estimated that by the end of 1996 up to 50 new companies could be listed; at present there are 16 on the main market and 12 on the OTC.

Briefly

- The Federation of Euro-Asian stock exchanges has accepted Kyrgyzstan, Uzbekistan and the Moldavian bourses to membership, bringing the number of members to 15. The FEAS, which was holding its general assembly in Istanbul, also granted Pakistan's Lahore stock exchange secondary membership.
- North Korea is understood to be considering establishing a stock market in its free trade zone bordering China and Russia, a senior North Korean official was quoted by a Japanese news agency, Reuter reports. The country was believed to be thinking of creating a stock market and offshore banking in the Rajin-Sonbong Free Economic Zone.
- The third meeting of the African stock exchanges association will be held in Mauritius between October 24 and 27. The conference theme will be Liberalisation of African capital markets.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

CURRENCY MARKETS Philip Gawith

G7 setting tone for markets

The gaggle of officialdom in Washington DC for the annual meetings of the IMF and World Bank, combined with a few public holidays, could dampen activity this week on the foreign exchanges.

The key issue will be how markets respond to the weekend statement by the G7 finance ministers and central bankers on currencies. They said they "welcomed the orderly reversal in the movements of the major currencies that began following their April meeting [and would] welcome a continuation of these trends consistent with underlying economic fundamentals". They also reaffirmed their commitment "to reduce imbalances and to co-operate closely in exchange markets".

The language is unremarkable, and it may well be that the first trade of the week is a "disappointment" trade – selling the dollar in protest at lukewarm central bank commitment to supporting it. But whether there will be any momentum behind the selling is a moot point.

First, the US market is closed today for Columbus Day, and Japan is closed tomorrow. Thin markets can inhibit trade (but can also provide a helpful backdrop to central bank interevention).

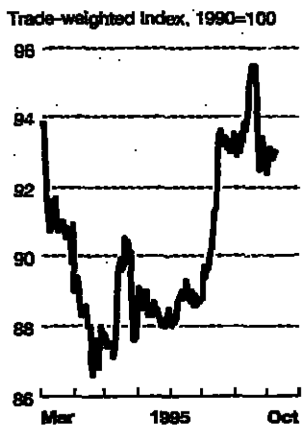
Second, markets scoffed at the April G7 statement calling for an "orderly reversal" in currency trends, but were proved wrong. Central banks were true to their word and a deft combination of policy changes and intervention in the following months helped initiate a sharp dollar rally.

This precedent may make traders wary of selling the dollar aggressively. With all leading financial officials gathered in Washington, there will also be fears of intervention.

The other focus will be the French franc, which the central bank was forced to support when it fell sharply on Friday. The basic problem is the market's belief that the government will be forced to abandon its *franc fort* policy. Any adverse political or economic development simply refocuses attention on this fact.

Dollar

Trade-weighted index, 1990=100



Source: FT Extel

Baring Securities emerging markets indices

Index	6/10/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (362)	147.29	+0.31	+0.21	-1.29	-0.87	-10.74	-6.80
Latin America							
Argentina (23)	79.96	+1.21	+1.54	+0.61	+0.77	-6.15	-7.14
Brazil (23)	194.69	-3.07	-1.55	-6.37	-3.17	-14.68	-7.01
Chile (15)	186.80	+0.01	+0.00	-7.80	-4.01	-24.77	-11.71
Mexico (24)	72.63	-2.96	-3.91	-9.49	-11.56	-25.00	-25.61
Peru (15)	1,018.53	+11.16	+1.11	-69.72	-6.41	+169.86	+20.02
Latin America (100)	121.20	-1.77	-1.44	-6.87	-5.36	-17.57	-12.66
Europe							
Greece (20)	101.88	-5.05	-4.72	-2.74	-2.62	+14.89	+17.11
Portugal (23)	118.03	+2.35	+2.03	+6.36	+5.69	+1.75	+1.50
Turkey (21)	105.20	+6.59	+6.68	-8.56	-7.52	+29.09	+38.22
South Africa (33)	140.34	+2.34	+1.70	+5.78	+4.29	+12.40	+9.69
Europe (97)	115.94	+1.65	+1.44	+3.17	+2.81	+18.25	+18.68
Asia							
Indonesia (32)	141.90	+0.50	+0.35	+0.41	+0.29	+8.21	+6.14
Korea (23)	154.13	+3.32	+2.20	+10.18	+7.07	+14.25	+10.19
Malaysia (22)	224.14	-3.27	-1.44	+0.13	+0.06	+13.28	+6.30
Pakistan (16)	87.42	-0.05	-0.06	-3.64	-4.00	-18.78	-17.68
Philippines (15)	266.45	+3.48	+1.32	-1.36	-0.51	-15.68	-5.56
Thailand (26)	260.21	+9.01	+3.59	+10.95	+4.39	+8.57	+3.40
Taiwan (31)	135.77	+5.08	+3.89	+4.03	+3.06	-48.38	-26.27
Asia (163)	209.47	+2.75	+1.33	+4.79	+2.34	-1.15	-0.55

All indices in $ terms. January 7th 1992=100. Source. Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 6, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7022.36	4442.00	3112.82	4408.93
Albania	(Lek)	148.051	93.6500	65.6272	92.9529
Algeria	(Dinar)	79.8513	50.5100	35.3959	50.1340
Andorra	(French Fr)	7.9279	5.0149	3.5143	4.9778
Gibraltar	(Gib £)	1	0.6326	0.4433	0.6278
Greece	(Drachma)	370.970	234.665	164.446	232.918
Greenland	(Danish Krone)	8.7753	5.5510	3.8900	5.5097
Grenada	(E Carr $)	4.2684	2.7000	1.8921	2.6799
Pakistan	(Pak. Rupee)	49.9365	31.5884	22.1362	31.3533
Panama	(Balboa)	1.5809	1	0.7008	0.9926
Papua New Guinea	(Kina)	2.0939	1.3245	0.9282	1.3146
Paraguay	(Guarani)	3102.82	1962.50	1375.26	1947.89
Gabon	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Gambia	(Dalasi)	15.2557	9.6500	6.7624	9.5782
Germany	(D-Mark)	2.2559	1.4270	1	1.4164
Ghana	(Cedi)	2076.88	1316.00	921.514	1305.21
Norway	(Nor. Krone)	9.9697	6.3065	4.4194	6.2596
Oman	(Rial Omani)	0.6086	0.3850	0.2698	0.3821
Zambia	(Kwacha)	1488.87	941.785	659.976	934.774
Zimbabwe	($)	13.9969	8.8538	6.2045	8.7879
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights October 5, 1995 Utd Kingdom £0.942116 Utd States $1.49250 Germany DM2.14278 Japan Y149.898 European Currency Unit Rates October 6, 1995 Utd Kingdom £0.832128 Utd States $1.31934 Germany DM1.86969 Japan Y131.802

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (t) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate; ‡ Russia applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Official fixed rate introduced on May 22. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times. Friday, October 6, 1995

ASE INDEX	918.92	P/E 95e (after tax)	13.7	GDP (USD bn)	108.40
%Chg (Prev. Wk)	-3.27	P/E 94 (after tax)	15.6	Per Capita Income (USD)	9,810
Yearly High	998.75	EPS GROWTH (%) 95e	30.6	Inflation Rate (% Y.O.Y. Sept 95)	8.40
Yearly Low	782.22	P/CE 95e/94	18.9 / 10.0	12 month T-bill (%, end of Sept issue)	14.25
WEEKLY VOLUME (USD m)	101.20	P/BV 95e/94	3.0/ 3.3	1-month Athibor (%)	15.2
%Chg (Prev. Wk)	15.75	Div. Yield (%) 95e/94	4.6 / 4.4	GRD-US$	233.80
1 Y Wk Avg. (USD m)	87.06			A.S.E. Market Capitalisation -29/9/95 (USD bn)	16.83
				IPOs & Rights issues (USD m Jan'95-29 Sep '95)	190.34

WORLD BOND MARKETS: This Week

NEW YORK — Richard Waters

'he Treasury market will be ›oking to the latest US 'nflation and retail sales gures this week for further igns of a soft landing for the conomy – and the prospect of 'urther gains for long-dated onds.

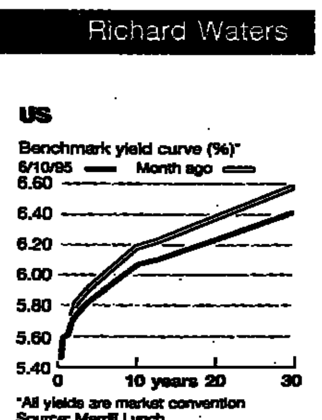
The data will come at the nd of a trading week hortened by today's Columbus ay holiday.

Last Friday's employment eport seemed to confirm that soft landing remains in rospect. The market is xpecting a similar message om the data due to be eleased this week.

Inflation is now generally elieved to be well under ontrol: both the Producer 'rice Index for September, due o be released on Thursday, nd the Consumer Price Index, xpected a day later, are precast to show rises of 0.2 per ent.

At that level, consumer rices would have advanced at n annualised rate of less than per cent so far this year.

US



*All yields are market convention
Source: Merrill Lynch

Retail sales for September, *meanwhile, are likely to* register some slowdown from August's strong advance – although views differ sharply on just how strong consumer spending remains.

Purchases of furniture and appliances linked to the buoyant housing market, for instance, could keep the growth in retail sales as high as 0.5 per cent, though some economists expect the growth to be as little as 0.1 per cent.

LONDON — Conner Middelmann

UK gilts are expected to remain within current trading ranges this week, supported by data confirming recent survey evidence of a slowing economy with few inflationary pressures.

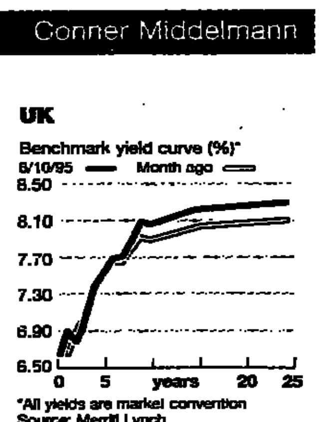
This could fuel further yield-curve steepening as rate cut expectations are reinforced. However, much of that has already been reflected in price movements: in the last two weeks, the gap between two-year and 10-year gilt yields has widened from 100 to 133 basis points.

"Much of the market has *already placed this bet, and is* therefore vulnerable to bearish flattening on any evidence from chancellor Kenneth Clarke at his party conference speech on Thursday that diminishes rate and tax cut hopes," warns Mr Andrew Roberts, gilts analyst at UBS.

On the data front, the focus will be on September producer prices, due Monday, and retail prices, due Thursday.

"CBI survey data suggest

UK



*All yields are market convention
Source: Merrill Lynch

that the peak in output price *increases has now passed and* we look for both the headline and underlying annual rates to have fallen," notes Mr Nigel Richardson, head of fixed-income research at Yamaichi.

However, he notes: "It is too early for the annual rates of the RPI measures to have decelerated, and we expect the RPIX [excluding mortgage interest payments] to have shown a further small increase in inflation."

FRANKFURT — Wolfgang Münchau

Uncertainty about the near-term performance of the German economy has been fuelled by two reports pointing towards slower economic growth.

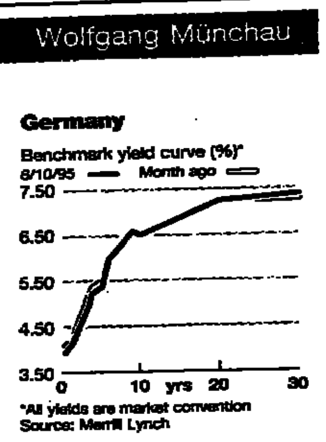
Last week, the Federal Labour Office released a surprisingly pessimistic employment report, showing a 48,000 rise in unemployment – of which more than two-thirds is accounted for by eastern Germany.

In a report out today the Ifo Institute, one of the six leading German economic institutes, will show that it has found *further evidence of an* economic slowdown in the western German economy.

The production index for 1996, according to Ifo, will only just reach 1992 levels, with an expected average annual rise of only 2.2 per cent, compared with a forecast 5.5 per cént for the current year.

Meanwhile, German inflation remains comfortably below 2 per cent, following a recent revision of the statistical base.

Germany



*All yields are market convention
Source: Merrill Lynch

Low inflation and a weakening economy increase the Bundesbank's room for manoeuvre for a further cut in the discount rate.

In spite of the various indicators of economic slowdown, there are no signs of a significant downturn, let alone a recession. Most institutes predict economic growth of around 2.5 per cent next year, compared with previous predictions of around 3 per cent.

TOKYO — Emiko Terazono

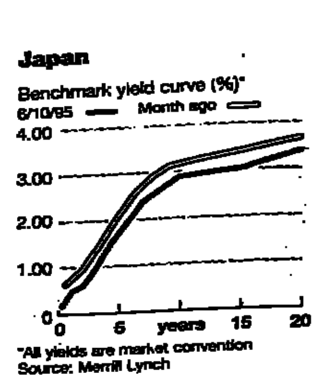
Japanese government bond prices started to slip on Thursday for the first time in six trading days, then extended their losses on Friday. Traders attributed the second day of losses to position-squaring ahead of the weekend because of uncertainty about the meeting of finance ministers in Washington DC. The benchmark 10-year bond fell 0.45 to 113.66 with yield up to 2.705 per cent.

Speculation that the Bank of Japan was planning a buying operation made the rounds on Thursday and Friday. When no action emerged, disappointed investors began to sell, nipping rallies on both days.

But many bond traders remain positive, attributing the sell-off to a reaction to five consecutive days of rises that put the benchmark cash bond and the key government futures contract at near record levels.

Many who had bought heavily during the rally, brokers said, were now

Japan



*All yields are market convention
Source: Merrill Lynch

unwinding their profitable long positions.

With Tuesday a national holiday and in the absence of strong news, the bond markets are likely to remain quiet at least until mid-week.

Although most dealers remain bullish, at least one warns that the key December contract is vulnerable if it breaks support at about 120.80. The contract finished the week at 121.08 after bouncing back from an intraday low of 120.90.

[nternational bonds

D-Mark and yen lift nine-month totals

:merging market debt has taged a remarkable recovery rom the lows following 1exico's peso crisis last winer, and eurobond issuance has urged accordingly, reaching he highest volumes since the ›umper crop of 1993.

In the year to date, some 21bn of new bonds from issurs in triple-B or lower-rated ountries have seen the light of lay, according to Union Bank f Switzerland.

That's less than the $38bn ssued in 1993, but rapidly pproaching last year's total of 25.4bn. The biggest issuers ave been Mexico, Brazil, Argentina and Hungary, raisng some $14bn between them.

Interestingly, the bulk of merging-market issuance has ot, as in previous years, been lenominated in US dollars, but n Japanese yen and D-Marks.

According to West Merchant Bank, only 56 per cent of the irst three quarters' euros have een denominated in dollars, ompared with 85 per cent in 994 and 88 per cent in 1993. 'en bonds have accounted for 7 per cent, up from 5 per cent n 1994 and 3 per cent in 1993, while D-Mark bonds made up 14 per cent, against 6 per cent in 1994 and 5 per cent in 1993.

This shift has come in response to strong demand for high-yielding local-currency investments in Japan and Germany, where interest rates on domestic savings instruments have fallen sharply.

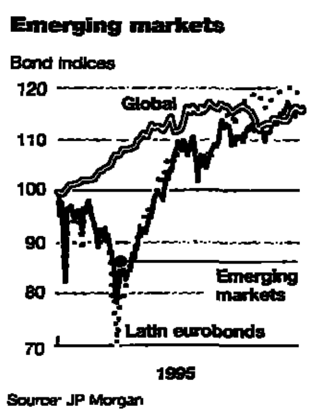
There has been a particularly strong bid from Japanese retail investors seeking, to refinance some Y20,000bn of high-yielding bank debentures maturing this autumn with paper offering similar returns.

As a result, borrowers are paying lower funding costs than they would in US dollars.

"You can achieve cheaper funding and tighter spreads in the less spread-sensitive Japanese and German markets," says Mr Richard Luddington, global head of emerging market debt at J.P. Morgan.

Also, borrowers can diversify their investor base away from professional participants towards less trading-oriented holders. "Retail investors tend to buy and hold, thus minimising the chances of spread volatility," says Mr Luddington.

Emerging markets



Source: JP Morgan

However, some say the vast volume of D-Mark and yen bonds targeted at yield-hungry retail investors, keen on coupons but unaware of credit risk, has obscured the fact that demand from professional investors remains meagre.

"Institutional demand for new issuance has been limited," says Mr Alexander Mitcheson-Smith, head of emerging markets research at UBS.

"Once you strip out non-dollar paper and dollar deals dressed up as bonds but really syndicated to banks, you arrive at a figure of barely $7bn. If we were in a veritable no-holds-barred bull market, demand for bonds would be higher than it has proved so far," he says.

Although the interest-rate backdrop remains benign and fundamental developments in many countries are positive, Mr Mitcheson-Smith says investors' caution is justified.

"The key phrase for the fourth quarter is event-risk, and we would look to take profits before the year-end," he says. "Considering the ghastly start to 1995 and the good profits which have been made in the past six months, we would recommend investors protect those profits rather than hold out for the rally's final fling."

In Argentina and Mexico, Mr Mitcheson-Smith warns, there is strong opposition from powerful political figures to aspects of economic and political reform; elections loom in Poland and Russia; in Bulgaria and the Philippines the pace of reform has slowed and in Venezuela reforms are hardly proceeding at all; and in Nigeria, Ecuador, Turkey, Hungary and Pakistan the political situation is unstable.

Terms of recent bond issues also indicate that investor sentiment hasn't fully recovered from pre-crisis levels.

"Market access is still more restricted than previously for private issuers, [maturities] are in general not yet as long and yield spreads have not fallen to earlier levels," says Mr Peter West of West Merchant Bank.

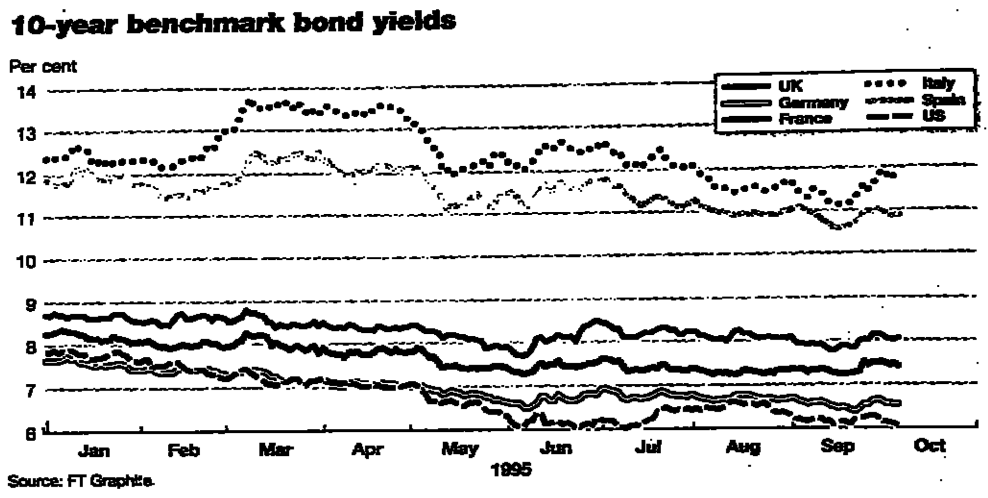
One region that has benefitted from investors' continued diversification away from Latin America has been emerging Europe, including Turkey.

"There is on-going demand for new paper out of these countries, based on investors' enthusiasm for the economic outlook for the region and their relative scarcity value," says Mr Luddington.

As well as outstanding eurobonds for Hungary, the Czech Republic and Poland, investors will soon be able to buy issues from entities in Croatia, Slovakia, Slovenia, Romania and Russia, which are expected in the next six months.

Conner Middelmann

10-year benchmark bond yields



Source: FT Graphite.

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.15[1]	9.00	6.75[2]
Overnight	5.69	0.38	4.00	5.55	10.18	6.63
Three month	5.48	0.46	3.93	6.65	10.50	6.62
One year	5.60	0.56	3.93	6.44	10.68	6.87
Five year	5.89	1.59	5.38	6.94	11.54	7.49
Ten year	6.07	2.90	6.59	7.59	11.95	8.06

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115-10	115-19	+0-08	115-30	114-20	348,958	332,895
Mar	114-31	115-08	+0-08	115-19	114-10	2,106	15,113
Jun	114-15	114-25	+0-08	115-00	113-30	636	2,649

Government bonds

Ireland emerges from shadow of UK

Ireland's tiny government bond market, for so long struggling in the shadow of the larger UK gilt market, appears to be shaking off the attentions of its neighbour. Since the end of September, for the first time since John Bruton's three-party coalition took office last year, yields on Irish bonds have dropped through UK gilt rates, reflecting renewed investor confidence in the economy.

"Six months ago, 10-year Irish bonds were yielding 25 basis points over the equivalent UK gilt, now it's 10 basis points below," says Jonathan *Westrop, of NCB, a Dublin*-based brokerage owned by Ulster Bank, itself a subsidiary of National Westminster Bank.

Since the 1993 collapse of the European exchange rate mechanism, investors have used the Irish market to play off their UK exposure. However, yields on benchmark Irish bonds are steadily falling and in spite of worries over the timing of European monetary union, traders say Irish yields are now following German rates.

The fundamentals are certainly solid enough. Ireland is currently one of only three European Union economies – with Luxembourg and Germany – meeting Maastricht criteria for monetary union.

The general government deficit is running at around 2.5 per cent of GNP, within the 3 per cent Maastricht limit. Inflation has been held in check at between 2 and 2.5 per cent while growth is around 6 per cent – the fastest rate in the Organisation for Economic Co-operation and Development.

The bond market should be given a boost in December when the National Treasury Management Agency introduces a new market-making system – the latest in a string *of reforms to the Irish securi*ties markets since the NTMA took over managing the country's borrowings in 1990.

With the progressive reduction in exchange controls, Irish pension funds have cut their holdings of Irish fixed interest securities from an average of 42 per cent at the end of 1987 to 23 per cent at the end of 1993. Given the trend in the UK, where gilts make up around 10 per cent of the portfolios of pension funds, further reductions in the exposure of Irish institutions seems likely.

However, this trend is matched by growth in the holdings of foreign institutions, which are estimated at 30 per cent of Ireland's total debt, against 15 per cent in 1987.

The thinking behind the new market-making system is to provide additional liquidity, which in the past has added a premium to the cost of Irish sovereign borrowing.

"The market had been known to just dry up from time to time, which frightens foreign investors. Sometimes the screen would go offer-only," says Mr Robert Stewart of Matheson Investment Management in London.

Mr Michael Horgan, deputy *director of domestic debt* at the NTMA describes the present system as "fair-weather price-making". Under the new arrangement, six designated brokers – the Irish houses NCB, Davy, Riada, Goodbody and the two Swiss firms Credit Suisse First Boston and UBS – will be required to quote bid and offer prices in a range of benchmark stocks.

The timetable was set for October but with the planned split of the Dublin and London stock exchanges now put back from July to December, the change in the bond market was also postponed, largely to avoid having to appoint the two foreign brokers to the Dublin stock exchange twice.

The Irish government debt market is currently around I£14.5bn – the balance being in foreign exchange. Annual financing is running at around I£2bn, including refinancing I£1.7bn of existing debt.

Some brokers are less enthusiastic about the new system. "Market-making is always seen as a panacea. The real test is: Will the market-makers stand up and make a price when the market is losing two or three points a day, as it did in 1992?" says Mr Colin Harte of NatWest Investment Management.

Dublin is bracing itself for a period of volatility in the run up to Emu, but as one official put it: "We hope it will be quick and dirty."

For UK institutions exposed to the gilts markets, the Irish market offers what Mr Harte calls a "free option" on monetary union.

"If the UK stays out and Ireland goes in, then Irish gilts will converge with the DM. On the other hand, if sterling and the Irish punt go in, then you should see a strong rally in both markets."

John Murray Brown

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Telewest(v,s)	300	Oct.2006	9.625#	100.00	9.625	+332(6½Aug05)	Morgan Stanley & Co.
Telewest(w)	1.536bn	Oct.2007	(w1)#	58.578	11.00	+468(6½Aug05)	Morgan Stanley & Co.
Bayerische Hypobank(l)	200	Nov.1999	6.125	99.84R	6.171	+17(l)	Paribas Capital Markets
Foreningsbanken(b)‡	100	undated	(b1)	99.80R	-	-	JP Morgan Securities
Republic of Italy★	1.5bn	Jan.2001	zero	72.92	6.268	+17(d)	Daiwa Europe
Republic of Italy(s)★	500	Jan.2001	6.00	98.86R	6.26	+17(l)	Daiwa Europe
Province of Alberta	300	Oct.2000	6.25	99.691R	6.324	+23(6¼%-00)	CSFB/JP Morgan Secs.
Finnish Export Credit★	100	Oct.1998	5.70#	100.00	5.700	-	Nikko Europe
Telecom Brazil Funding(e)★‡	38	Dec.1999	(e1)	100.00	-	-	Bank of Boston/ UBS
Toyota Motor Credit Corp.	750	Oct.2000	6.125	99.483R	6.249	+22(6¼%-00)	Merrill/ Nomura/ SBCW
Advance Bank Australia‡	300	Oct.2000	(g)	99.78R	-	-	CSFB/ Merrill Lynch
Province of Buenos Aires	100	Oct.1998	11.50#	100.00R	11.50	+585(5⅞%-98)	Salomon Brothers Intl.
Ciba-Geigy Corp.	300	Oct.2005	6.625	99.564R	6.686	+48(6½Aug05)	JP Morgan Securities
Banco America do Sul	80	Oct.1997	10.75#	100.00	10.75	+500(5¾%-97)	Yamaichi Intl.(Europe)
Hydro-Quebec★‡	50	Oct.1997	(o)	undisd.	-	-	BZW
SCCMT-1 1995-8, Class A(x,s)	500	Oct.2005	6.55#	99.925R	6.561	+51(6½Aug05)	UBS Securities
Korea Exchange Bank‡	100	Oct.1998	(u)	99.925R	-	-	Nomura International
D-MARKS							
Electricité de France	300	Nov.2000	5.625	99.516R	5.739	+28(5⅞%-00)	Bqe. Paribas(Deutsch.)
Korea Development Bank	500	Oct.1999	5.625	99.968R	5.634	+34(6¾%-99)	Deutsche Bank
Bayerische Handelsbank(p,k)	500	Aug.2002	6.50	100.60	-	-	Bayerische Vereinsbank
LW Rentenbank	300	Oct.2000	5.75	100.00R	5.750	+33(5⅞%-00)	Nikko Bank(Deutsch.)
BNG	250	Nov.2000	5.625	99.74R	5.686	+28(5⅞%-00)	BZW (Deutschland)
Ford Credit Europe	250	Nov.2000	6.00	102.127	6.502	-	Deutsche Bank
Allgemeine Hypo.(p,s)	1bn	Jan.2002	6.00	100.115	-	-	Dresdner/SBG/Trinkaus
Crédit Local de France	1bn	Oct.2000	5.50	98.9035R	5.759	-	Nomura Bank(Deutsch.)
United Mexican States	1bn	Nov.2000	9.375	99.65R	9.466	+407(5⅞%-00)	Dresdner Bank
GECC	300	Nov.1998	4.75	99.808R	4.820	+7(5¼%-98)	Salomon Brothers
DSL Bank(l)	200	Dec.1998	5.00	100.20	4.922	+15(6%-98)	Daiwa Europe(Deutsch.)
Société Générale‡	100	Oct.1999	(q)	100.15	-	-	Lehman Bros.Bankhaus
Kingdom of Sweden(l)	500	Dec.1998	5.00	100.00R	4.992	+21(5%-98)	Goldman Sachs Fkt.
ABN Amro Bank(y)‡	200	Nov.2005	(y1)	100.05	-	-	ABN Amro HG Frankfurt
YEN							
Asfinag★	10bn	Oct.2015	(f)	100.00	-	-	Daiwa Europe
Bayerische Landesbank★	10bn	Oct.2015	(i)	100.40	-	-	Nikko Europe
National Australia Bank(m)★	10bn	Oct.1998	4.50	99.70	-	-	Merrill Lynch Intl.
Merrill Lynch & Co.★	10bn	Oct.1998	(n)	100.20	-	-	Merrill Lynch Intl.
STERLING							
Abbey National(c)	200	undated	10⅛#	100.432	10.02	+170(8¾%-17)	Merrill Lynch Intl.
KfW International Finance(s)	200	Dec.2000	7.625	99.581R	7.592	+16(8%-00)	JP Morgan Securities
London Electricity(l)	100	Oct.2005	8.625	99.246R	8.741	+55(8½%-05)	HSBC Markets

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
SWISS FRANCS							
Ebara Corp.(a)★§	300	Oct.1999	0.75	100.00	-	-	Credit Suisse
Kingdom of Sweden	150	Nov.2002	4.375	103.30	3.829	-	UBS
Republic of Argentina	150	Nov.1998	7.125	101.00	6.746	-	Credit Suisse
Bayerische Landesbank	150	Nov.2003	4.25	102.25	3.917	-	SBC Warburg
Deutsche Finance (Neths.)	150	Nov.2000	4.00	103.20	3.295	-	Deutsche Morgan G'fell
Sudwest. LB Capital Mkts.	100	Dec.2005	4.50	101.95	4.257	-	Merrill Lynch Cap.Mkts.
LW Rentenbank	100	Dec.1999	3.75	102.85	2.984	-	Zurich Kantonalbank
LUXEMBOURG FRANCS							
Kingdom of Sweden	3bn	Dec.2002	zero	64.85	6.305	-	Crédit Européen
Ippa Finance(l)	2bn	Dec.2002	6.75	102.50	6.30	-	Crédit Européen
National Australia Bank(l)	2bn	Dec.2002	6.875	102.60	6.40	-	ABN Amro Lux./ BGL
ITALIAN LIRE							
World Bank(r)	150bn	Nov.1998	10.60	101.15	10.14	-	Credito Italiano
AUSTRALIAN DOLLARS							
Treasury Corp. of Victoria★	100	Oct.1997	5.00#	97.10	6.571	-	Nikko Europe
Kommuninvest★	100	Oct.2000	zero	67.70	8.114	-	Nikko Europe
Queensland Treasury Corp.★	200	Oct.2000	7.375#	100.082	7.360	-	Nomura International
PESETAS							
DSL Finance(l)	10bn	Nov.2005	(t1)	100.00	-	-	Deutsche Bank
SOUTH AFRICAN RAND							
GECC	200	Nov.2000	14.75	101.50	14.31	-	Deutsche Morgan G'fell
CZECH KORUNAS							
GECC	2bn	Oct.1998	10.50	100.00R	10.50	-	Merrill Lynch Intl.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: SFr50,000 +50 wrts. Ex price: Y1384. FX: 88.11Y/SFr. b) Callable on coupon dates from Nov.00 at par. b1) 3-mth Libor +125bp to Nov.00 and +275bp thereafter. c) Exchangeable at option of issuer into undated preference shares paying 10⅜%aa gross (initial coupon 8.3% net). d) Over interpolated zero curve. e) Collateralised by promissory notes issued by Telesp, guaranteed by Telebras. e1) 6-mth Libor +650bp. e2) Tranche B: $14½m, same terms, promissory notes issued by Telesper. f) 5.21% in DM or 5.81% in A$, issuers option. g) 3-mth Libor +15bp. h) 5.70% in A$ or 5.10% in DM, issuers option. i) Over interpolated yield. j) Standard utility investor put option. k) Fungible with DM500m. Plus 37 days accrued. l) Long 1st coupon. m) Principal repaid in US$. n) 1% to 19/10/96, 1.3% to 19/10/97 and 1.7% thereafter. o) 3-mth Libor flat. p) Pfandbrief. q) 3-mth Libor -4bp. r) Callable on 13/11/97 at par. s) Short 1st coupon. t) Callable on 16/11/96 at par. t1) 10.735% to 16/11/98 and 11.30% thereafter. u) 3-mth Libor +17½bp. v) Callable from 1/10/00 at 104.813%, 1/10/01 at 102.406% & from 1/10/02 at par. w) Callable from 1/10/00 at par. w1) zero to 1/10/00 and 11%aa thereafter. x) Standard Credit Card Master Trust. Legal maturity: 7/10/07. Average life: 9.98 yrs. x1) Class B: $32, Oct.05, 6.65%, 99.903125. y) If 6-mth Libor is 7% or higher, coupon will be set at 7% for remaining life of bond. y1) 6-mth Libor +37½bp. Note: Yields are calculated on ISMA basis

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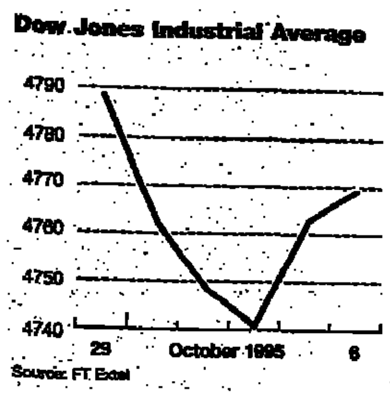
EQUITY MARKETS: This Week

NEW YORK

Lisa Bransten

Bears return as reporting season looms



The bears are beginning to reappear on Wall Street. After nearly nine months of charging bulls, caution has re-emerged on the eve of the earnings reporting season.

The Dow Jones Industrial Average ended last week down 20 points at 4,769.21 as investors pulled money out of companies they feared would announce poor third-quarter results.

This week marks the start of the reporting season and, while some economic news is due, most activity is likely to hinge on corporate results.

Especially important will be technology companies which fell last week – the Pacific Stock Exchange technology index was off 4 per cent – on earnings jitters. Advanced Micro Devices, which helped set off the slide in technology shares when it announced two weeks ago that third-quarter profits would be below second-quarter levels, is due to release results, as are other chipmakers Motorola and Texas Instruments.

Chrysler's results are also expected and they may give a taste of things to come in the motor vehicle sector, just as J.P. Morgan's results may do for the financial sector.

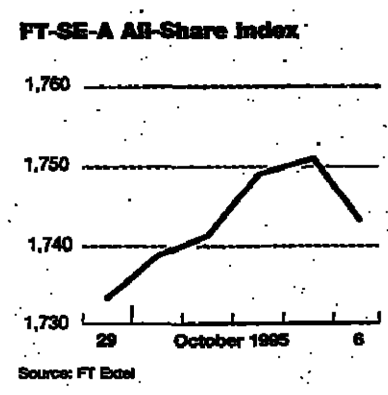
Producer and consumer price indices for September are due on Thursday and Friday. *Economists expect the PPI to be* up 0.3 per cent and the CPI 0.2 per cent.

September retail sales figures due on Friday should give an indication of whether consumers will put some life back in the economy.

LONDON

Steve Thompson

Investors look for indicators on policy shifts



London equities face another thin week for company news, although attention could well shift from the corporate sector following the recent turmoil in the currency and bond markets.

A long list of domestic economic data, including producer prices, inflation news and the September report on distributive trades from the Confederation of British Industry, will provide the market with good indications on how the government's monetary policy is progressing.

And the market will be eager to hear what the chancellor has to say at the Conservative Party Conference gets under way in Blackpool. Investors will be seeking pointers to any shifts in policy or hints as to prospects for tax cuts in the November 28 budget.

There were no shocks for equities from last week's Labour Party Conference. On the contrary, share prices galloped ahead with cash from the recent spate of bids in utilities and elsewhere being pushed back into the market. A sharp increase in volumes was a good indication that fund managers have been executing shifts in asset allocations and sector rotation as the fourth quarter got under way.

If the market is to launch another attack on its all-time high of 3,587.0, it may well need the impetus of more takeover bids. The electricity sector is still a happy hunting ground with last week witnessing National Power's bid for Southern and an increased offer for Norweb from the Texas partners.

OTHER MARKETS

AMSTERDAM

The cautious response from global institutions to last week's sale of shares in Telefónica, the Spanish telecoms utility, is unlikely to have any impact on the forthcoming sale of the second tranche in Koninklijke PTT Nederland (KPN), the Dutch telecommunications and posts group, *writes John Pitt.*

Applications open today and will close on October 20.

The KPN sale is the second since the group was partially floated in June 1994 and will reduce the state's stake from 70 per cent to between 33.3 per cent and 49.9 per cent.

It is hoped to raise at least Fl 5bn. Brokers said that the offer was potentially the largest in the Netherlands this year.

As part of the secondary offering, the shares will also be listed for the first time on the NYSE.

US trading is scheduled to start on October 23.

Analysts said that the Telefónica story would not taint the issue because there was such a great difference between the two utilities, in terms of market strategy and vulnerability to the political environment.

FRANKFURT

There is little on the agenda to stir the market this week, although Munich-Re holds its press conference tomorrow.

UBS expects, however, that like the Allianz meeting last week, the Munich-Re meeting is unlikely to focus on the group's overall performance, instead proving purely education on how the group handles large project technical risks, such as the Eurotunnel project.

The market will instead have to wait until October 26 for the first figures on last year's performance, with further details planned on November 8.

MILAN

The market was in gloomy mood last week as question marks about the budget were compounded by the downbeat reception in Milan to Fiat's presentation for London investors.

This puzzled some of the analysts who attended the *meeting: they insisted that* the company had said nothing that was not already in the market.

Nonetheless, the cumulative effect was to push the Comit index firmly below strong support at 620, with 600 now being seen as the floor.

PARIS

The interim results season continues with figures expected from media groups, Havas, TF1 and Suez. The TF1 announcement will be scrutinised with particular regard to its programming schedule since the autumn package was poorly received.

Similarly with Suez, the investment community will watch to see how much pressure weakness in the property market has put on first-half earnings.

ZURICH

The market spent much of last week knocking on the door of the SMI index's 3,055 point resistance level, but without success. Many analysts believe that the market is overdue a correction after its sterling performance of the last six months, doubting that the upward momentum can be maintained in the final quarter of the year. On the corporate front, Ciba publishes third *quarter figures on Thursday.*

TOKYO

Foreign exchange movements will continue to be closely watched this week, *writes Robert Patton.*

Speculation that G-7 ministers might lend stronger support to the dollar was a major market-moving factor last week and if such support does not materialise and the dollar sinks below the critical Y100 level, Tokyo stocks could suffer as well.

Foreign investors spearheaded last week's upward movement and *overseas interest is likely to* continue its bellwether role this week.

Traders continued to focus on futures prices last week, with arbitrage unwinding also playing a key role in strengthening the market.

Today, figures for machinery orders will be released. BZW Securities in Tokyo estimates that private machinery orders will rise 2 per cent month on month.

The hottest part of the machinery market is that for semiconductor production machinery, a segment that performed well last week.

BZW points out that semiconductor production *equipment has been growing at* a 50 per cent annualised rate all this year and is expected to make a major contribution to the September machinery figures released today.

Markets will be closed for a national holiday tomorrow

HONG KONG

With the corporate reporting season finished, the week is likely to start quietly with investors digesting the US jobs data, released on Friday, *writes Louise Lucas.*

However, brokers remain bullish, citing increased liquidity from overseas and expectations of a further cut in interest rates over the medium term. Last week the Hang Seng hit a high for the year and closed the week at 9,873.90.

Resistance is seen at 10,000, but most brokers believe this can be pierced. Salomon Brothers, which is targeting 11,000 for the index, is looking for a cyclical upturn in the economy next year, due to domestic infrastructure investment and a relaxation of the credit squeeze in China.

This, with benign interest rates and attractive valuations relative to the US market, should help earnings growth.

Locally, Mr Chris Patten, the governor, delivers his policy address on Wednesday. But the *improvement in Sino-British* relations was absorbed into the market last week after meetings in London between Qian Qichen, the Chinese foreign minister, and UK ministers.

Compiled by Michael Morgan

International offers

Domestic investors get Telefónica off the hook

The theme of many a romantic novel or film is of a man who pursues a girl who does not love him but who in the end finds true love with the girl-next-door.

In the international equity market, the book-building process is designed to help companies or governments selling stock to avoid such mistakes of unrequited love by directing the stock directly into the arms of the keenest investors.

However, in the case of Telefónica, the Spanish telecoms company which closed its $1.3bn sale of state-owned shares last week, book-building failed to do that.

Telefónica said the foreign institutional tranche was 1.7 times subscribed, which paled in comparison with the domestic retail tranche, which was eight times subscribed – far surpassing initial expectations.

In retrospect, the heavily-regionalised structure conspired against Telefónica because the lack of a centralised book did not allow it to assess the spread of demand early on. Also, a lack of flexibility between the various tranches meant only a limited number of shares could be clawed back from the institutional tranche to satisfy retail investors.

Certainly, *having most of the* Spanish bank network promoting the issue gave Telefónica much deeper penetration at home than it had anticipated. In addition, the discount to the issue price and the successful offering earlier in the year from Repsol, the oil company in which the state still has 21 per cent, encouraged more small investors to participate.

International investors failed to meet expectations, however. The weak areas were the US and continental Europe, where demand was not sufficient to trigger the over-allotment options. By contrast, the UK and the rest of the world tranches were increased.

Stock market weakness and poor book-building resulted in a 17.5 per cent drop in anticipated income for the government. Nevertheless, the deal was done and signs of healthy demand for equity from retail investors should speed up plans to dispose of the remaining state holding in Repsol.

KPN, the Dutch telecoms company which starts its book-building process today, is keen to avoid the mistakes made in Spain. ABN-Amro is running a global book with no restrictions on the size of the various tranches, although underwriters will be given an underwriting range. The final size of the tranches will be announced with pricing on October 23.

Nevertheless, KPN should bear the Telefónica experience in mind when it comes to pricing. International investors, who are becoming blase about telecoms offerings because of the huge choice available over the next 18 months, are clearly unwilling to pay up for stock, especially in the case of a secondary offering, which Telefónica and KPN both are.

The cautious response from international investors to the Spanish offering also raised concerns of "investor fatigue", which would be alarming at the start of one of the busiest quarters in living memory.

"The calendar is so overcrowded that selling the stock is like trying to shove rope through the eye of a needle," says one syndicate manager.

The general view among syndicate managers, however, is that international investors are being selective and are paying more attention to initial public offerings.

"There is a lot of money that needs to be invested but fund managers also have to keep an eye on their overall performance," says one banker.

Of the IPOs which closed last week, the sale of the Norwegian state's 95.9 per cent stake in Fokus Bank, the country's third-largest commercial bank, was 15 times subscribed, according to global co-ordinator, Dresdner Bank-Kleinwort Benson. The shares were priced at NKr29, the top of the indicated range.

A *top price was also* achieved by Tambang Timah, the Indonesian tin mining company, whose shares were priced at Rp2,900 a share, or $12.75 per global depositary receipt, which represents 10 shares. Tambang's success should bode well for the imminent $2bn to $3bn IPO by PT Telkom, Indonesia's telecoms company. This offering should be priced by early November.

A full price is also expected in Papua New Guinea's $450m flotation of the Lihir Gold mining company, where the price range is A$1.32 to A$1.57. Contrary to expectations, the strongest demand came not from natural resource funds but from emerging market funds wanting to initiate exposure to PNG.

International investors are showing keen interest in other IPOs currently under way, such as Gucci and E. Merck, the German pharmaceuticals group. Syndicate managers report strong demand for Merck at DM51, in the middle of the DM46–DM56 range.

However, some UK investors were irritated by the company's reticence to reveal additional information during visits last week and that the company's own forecasts were more conservative than those of their bankers.

Investors should get details this week of Germany's other high-profile IPO, the sportswear maker Adidas. The shares are likely to be listed in Frankfurt and on London's Seaq *but plans for a Paris* listing have been dropped. The flotation is likely to have a 144a tranche for the US.

Meanwhile, pre-marketing of the privatisation of Eni, Italy's oil and chemicals company, got under way with the launch of the corporate advertising campaign in Italy. The company is seeking a listing in New York as well as in Milan.

Contrary to talk circulating in London last week, a partly-paid structure will not be used in Eni's L10,000bn ($6bn) issue, although it could be a feature in next year's offerings by Stet, Italy's telecoms company, and Enel, the electricity utility.

Kleinwort is bringing two *more Scandinavian deals:* a $120m IPO by Scandinavian Mobility, a healthcare products company, and a $150m IPO by BT Industries, a Swedish indoor fork-lift truck producer.

Antonia Sharpe

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 6 / Sch)

BELGIUM/LUXEMBOURG (Oct 6 / Frs.)

CZECH REP (Oct 6 / Koruna)

DENMARK (Oct 6 / Kr)

FINLAND (Oct 6 / Mks)

FRANCE (Oct 6 / Frs.)

GERMANY (Oct 6 / Dm.)

GREECE (Oct 6 / Drachma)

ITALY (Oct 6 / Lire)

NETHERLANDS (Oct 6 / Fl.)

NORWAY (Oct 6 / Kroner)

POLAND (Oct 6 / Zloty)

PORTUGAL (Oct 6 / Escudo)

SPAIN (Oct 6 / Pts.)

SWEDEN (Oct 6 / Kronor)

SWITZERLAND (Oct 6 / Frs.)

TURKEY (Oct 6 / Tk Lira)

PACIFIC

JAPAN (Oct 6 / Yen)

HONG KONG (Oct 6 / H.K.$)

INDONESIA (Oct 6 / Rupiah)

MALAYSIA (Oct 6 / MYR)

NEW ZEALAND (Oct 6 / NZ $)

SINGAPORE (Oct 6 / S$)

AUSTRALIA (Oct 6 / Aus$)

SOUTH KOREA (Oct 6 / Won)

TAIWAN (Oct 6 / TW $)

THAILAND (Oct 6 / Baht)

AFRICA

SOUTH AFRICA (Oct 6 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 6 / Can $)
4 pm close

MONTREAL (Oct 6 / Can $)
4 pm close

INDICES

	Oct 6	Oct 5	Oct 4	1995 High		1995 Low	
Argentina							
General (29/12/77)	14334.64	14263.62	14040.29	18531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2098.2	2102.7	2103.4	2168.00	18/9	1823.30	8/2
All Mining(1/1/80)	949.9	956.6	958.2	1029.50	7/8	795.38	8/2
Austria							
Credit Aktien(30/12/84)	356.98	357.45	358.78	395.42	2/1	380.32	30/3
Traded Index(2/1/91)	980.54	977.53	972.77	1068.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1440.22	1441.81	1450.67	1491.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	45146.0	44987.0	44263.0	48612.00	19/9	4531.80	8/9
Canada							
Metals Minls♦(1975)	4620.76	4640.46	4609.52	5252.77	21/8	3808.63	1/3
Composite♦ (1975)	*4495.40*	*4489.80†*	*4492.60*	*4718.30*	*12/7*	*3991.41*	*30/1*
Portfolio§§ (4/1/83)	2197.43	2203.96	2190.89	2307.81	12/7	1963.36	30/1
Chile							
IGPA Gen♥(31/12/80)	5875.3	5855.7	5794.4	6363.18	11/7	4676.99	9/3
Denmark							
CopenhagenSE(3/1/83)	361.16	362.77	363.50	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	2113.12	2099.55	2121.11	2332.22	14/9	1595.30	29/3
France							
SBF 250 (31/12/90)	1209.21	1206.93	1208.86	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1809.57	1800.32	1803.87	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	793.97	808.47	812.10	848.78	19/9	708.87	30/3
Commerzbank(1/12/53)	2288.0	2339.7	2330.6	2427.60	19/9	2018.70	30/3
DAX (30/12/87)‡	2171.43	2206.82	2217.76	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	918.92	908.24	921.38	992.59	4/8	787.15	18/3
Hong Kong							
Hang Seng(31/7/64)	9873.90	9888.04	9939.95	9939.95	4/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3603.55	3562.61	3531.49	3932.89	2/1	3015.87	2/5
Indonesia							
Jakarta Comp.(10/8/82)	496.29	495.01	492.65	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2132.79	2135.90	2142.33	2170.73	15/9	1813.69	23/1
Italy							
Banca Comm Ital (1972)	608.83	614.00	613.72	686.54	10/2	587.99	23/3
MIB General (2/1/95)	961.0	970.0	969.0	1078.00	10/2	929.00	23/3
Japan							
Nikkei 225 (16/5/49)	18506.28	18220.41	18145.08	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	275.79	273.72	272.56	286.16	4/1	222.28	13/6
Topix (4/1/68)	1468.31	1456.33	1451.89	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1888.54	1888.89	1886.25	2130.68	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	983.81	985.62	988.32	1085.84	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2347.65	2267.13	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtRtnGen(End 83)	503.8	504.8	504.4	511.80	19/9	422.90	23/3
CBS All Shr (End 83)	305.4	305.9	305.7	311.10	15/9	285.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2089.59	2093.88	2102.31	2155.79	18/5	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1253.36	1251.30	1258.70	1291.58	19/9	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2840.77	2618.23	2569.33	2968.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	2641.6	(c)	2641.5	2911.60	9/1	2580.70	25/9
Singapore							
SES All-S'pore(2/4/75)	519.55	520.73	518.48	535.08	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1486.7♥	1504.4	1494.9	2023.00	2/1	1317.20	19/5
JSE Ind. (28/9/78)	7217.9♥	7175.7	7105.6	7217.80	6/10	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	1002.07	989.05	982.89	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	297.69	301.65	302.82	318.98	13/9	283.30	26/6
Sweden							
AffarsvarldnGen (1/2/37)	1803.6	1798.3	1815.6	1872.16	19/9	1436.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1411.96	1409.8	1410.01	1423.67	19/9	1174.63	13/3
SBC General (1/4/87)	1054.98	1051.18	1050.91	1055.84	3/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	5213.73	5100.47	5086.45	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1327.44	1314.81	1312.94	1472.04	10/7	1135.89	18/3
Turkey							
Istanbul Cap.(Jan 1986)	45767.7	45418.2	44351.3	54680.90	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)	702.0*	701.8	700.1	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1401.61	1422.43	1422.98	1480.88	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1280.66	1288.86	1287.29	1316.58	15/9	1117.34	9/3
JCapalDrgns (31/12/88)	(u)	336.80	336.71	349.47	14/7	282.87	23/1
Barings Emerg.(7/1/92)	147.29	145.52	145.62	158.07	2/1	117.16	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Oct	1790.0	1818.0	+15.0	1821.0	1761.0	33,576	28,888
Nov	1800.0	1827.0	+16.5	1828.0	1776.0	113	2,740
■ DAX							
Dec	2207.0	2190.0	-15.0	2208.0	2169.0	27,363	73,462
Mar	2227.0	2210.5	-16.0	2227.0	2203.5	182	1,930
■ OMX							
Oct	1423.00	1432.00	-11.00	1432.00	1412.00	6,139	15,712
Nov	1431.00	1431.00	-3.00	1431.05	1431.00	20	1,448
■ SOFFEX							
Oct	3037.00	3054.0	+15.0	3054.5	3021.0	6,356	16,430
Nov	-	3059.0	-	-	-	138	410

** Sat Sep 30: Taiwan Weighted Price 5033.06; Korea Comp Ex 982.65. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable ‡ IBIS/DAX after-hours index: Oct 6 - 2176.35 -15.19.

US INDICES

Dow Jones	Oct 6	Oct 5	Oct 4	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4769.21	4762.71	4740.57	4801.80 (14/9)	3832.08 (30/1)	4801.80 (14/9/95)	41.22 (2/7/32)
Home Bonds	103.55	103.54	103.57	103.75 (13/7)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1933.83	1913.18	1906.53	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	215.07	216.32	216.25	216.58 (3/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4805.70 (4794.86) Low 4731.84 (4706.63) (Theoretical♦)
Day's high 4783.65 (4762.71) Low 4750.08 (4735.61) (Actual♦)

Standard and Poors	Oct 6	Oct 5	Oct 4	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	582.49	582.63	581.47	586.77 (20/9)	459.11 (3/1)	586.77 (20/9/95)	4.40 (1/6/32)
Industrials♥	*682.46*	*683.06*	*680.86*	*691.27 (20/9)*	*546.28 (3/1)*	*691.27 (20/9/95)*	*3.62 (21/6/82)*
Financial	60.15	59.91	59.86	60.15 (6/10)	41.64 (3/1)	60.15 (6/10/95)	8.64 (1/10/74)
NYSE Comp.	312.38	312.01	311.74	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	533.54	532.40	532.10	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1012.04	1014.20	1002.27	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Sep 29	Sep 22	Sep 15	Year ago
Dow Jones Ind. Div. Yield	2.42	2.42	2.40	2.78
	Oct 4	Sep 27	Sep 20	Year ago
S & P Ind. Div. yield	2.08	2.07	2.05	2.43
S & P Ind. P/E ratio	17.87	17.94	18.14	20.33

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Motorola	6,333,900	68¾	-3⅞
Micron	5,057,000	71⅛	-2⅞
Beverly Ent	4,714,900	13¾	+⅛
Telefonos	3,922,700	31½	+1⅛
Unisys	3,768,900	8⅞	+½
WalMart	3,539,400	23⅛	-⅛
Computer Ass	3,350,500	41	+2
Ford Motor	3,021,500	30⅛	+⅛
Grupo Telev	2,824,800	20⅞	+1⅛
IBM	2,594,600	94¼	-⅛

■ TRADING ACTIVITY

● Volume (million)	Oct 6	Oct 5	Oct 4
New York SE	313,635	369,922	339,360
Amex	16,615	18,216	12,980
NASDAQ	(u)	495,101	392,675
NYSE			
Issues Traded	3,008	3,021	3,002
Rises	1,185	1,171	846
Falls	985	1,100	1,361
Unchanged	838	750	795
New Highs	95	88	103
New Lows	45	43	42

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	586.50	586.60	-	588.75	585.60	62,802	183,991
Mar	590.90	591.30	-	593.40	590.70	296	7,413
■ Nikkei 225							
Dec	18200.0	18520.0	+270.0	18600.0	18180.0	21,012	152,129
Mar	18290.0	18600.0	+270.0	18500.0	18290.0	6	4,362

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Friday, October 6, 1995.

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	21.6m	805	+8
Nippon Steel	10.9m	355	
Oki Elect Ind	6.9m	958	+6
Fujitsu	6.5m	1,240	
NKK Corp	6.5m	267	+2
Kawasaki Hvy Ind	6.0m	440	+4
Hitachi Zosen	5.6m	515	+2
Tamura Elec Wks	5.0m	1,550	+50
Tosoh Corp	4.5m	463	+3
Sumitomo Prec	4.1m	1,110	+50

مكتبة الأهرام

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8723	-0.0533	631 - 815	15.9155	15.7805	15.8419	2.3	15.7833	2.2	-	-	107.1
Belgium	(BFr)	46.4612	-0.0881	222 - 002	46.5010	46.1440	46.3662	2.5	46.1762	2.5	45.4412	2.2	109.6
Denmark	(DKr)	8.7753	-0.0107	715 - 791	8.7833	8.7348	8.7676	1.0	8.7511	1.1	8.6886	1.0	110.2
Finland	(FM)	6.8170	+0.0209	118 - 221	6.8330	6.7720	6.8125	0.8	6.8045	0.7	-	-	88.1
France	(FFr)	7.9278	+0.079	251 - 305	7.9327	7.8082	7.9225	0.8	7.9112	0.8	7.8545	0.9	108.5
Germany	(DM)	2.2558	-0.0072	547 - 570	2.2605	2.2423	2.2506	2.7	2.2414	2.6	2.2004	2.5	112.3
Greece	(Dr)	370.970	+0.412	808 - 132	371.761	368.655	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9816	-0.0004	808 - 824	0.9843	0.9804	0.9808	1.0	0.9795	0.9	0.9763	0.5	97.8
Italy	(L)	2556.79	+6.2	520 - 838	2562.07	2550.24	2564.04	-3.4	2578.84	-3.5	2647.09	-3.5	69.8
Luxembourg	(LFr)	46.4612	-0.0881	222 - 002	46.5010	46.1440	46.3682	2.5	46.1782	2.5	45.4412	2.2	109.6
Netherlands	(Fl)	2.5304	-0.0036	293 - 315	2.5317	2.5136	2.524	3.1	2.513	2.8	2.4868	2.5	108.6
Norway	(NKr)	9.9697	+0.0169	657 - 736	9.9888	9.9140	9.9573	1.5	9.9354	1.4	9.8599	1.1	99.3
Portugal	(Es)	237.333	+0.433	201 - 465	238.589	235.900	237.873	-2.7	239.093	-3.0	-	-	95.6
Spain	(Pta)	195.690	-0.125	520 - 740	196.089	195.140	196.13	-3.1	197.07	-2.9	201.47	-3.0	81.0
Sweden	(SKr)	11.1122	+0.0914	045 - 199	11.1355	11.0085	11.1144	-0.2	11.1189	-0.2	11.1423	-0.3	82.0
Switzerland	(SFr)	1.8156	-0.003	145 - 167	1.8192	1.8011	1.8085	4.7	1.7967	4.2	1.7437	4.0	118.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.1
Ecu	-	1.2315	-0.0012	309 - 320	1.2347	1.2240	1.2304	1.1	1.2282	1.1	1.2188	1.0	-
SDR†	-	1.08144	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5800	-0.0023	797 - 803	1.5870	1.5789	-	-	-	-	-	-	-
Brazil	(R$)	1.5150	-0.0016	147 - 153	1.5218	1.5140	-	-	-	-	-	-	-
Canada	(C$)	2.1056	-0.0072	049 - 063	2.1234	2.1040	2.1047	0.5	2.1044	0.2	2.1096	-0.2	85.8
Mexico	(New Peso)	10.3309	+0.0209	134 - 483	10.3617	10.3125	-	-	-	-	-	-	-
USA	($)	1.5809	-0.0016	806 - 811	1.5880	1.5797	1.5797	0.9	1.5785	0.6	1.5686	0.8	92.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0767	-0.0053	756 - 777	2.0785	2.0750	2.078	-0.8	2.0809	-0.8	2.0956	-0.9	87.1
Hong Kong	(HK$)	12.2238	-0.0108	212 - 266	12.2788	12.2158	12.2204	0.3	12.208	0.5	12.1744	0.4	-
India	(Rs)	53.5908	-0.0481	665 - 151	53.8170	53.5640	-	-	-	-	-	-	-
Israel	(Shk)	4.7556	-0.0035	510 - 602	4.7646	4.7510	-	-	-	-	-	-	-
Japan	(Y)	158.271	+0.285	166 - 375	159.440	157.910	158.356	6.9	156.746	6.3	149.821	5.9	142.9
Malaysia	(M$)	4.0099	-0.0029	084 - 113	4.0232	4.0061	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3871	-0.0097	858 - 884	2.3890	2.3849	2.3931	-3.0	2.4023	-2.5	2.4279	-1.7	101.6
Philippines	(Peso)	40.9262	-0.0744	901 - 663	40.9700	40.8816	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9290	-0.0064	277 - 302	5.9555	5.9250	-	-	-	-	-	-	-
Singapore	(S$)	2.2583	-0.0007	571 - 594	2.2693	2.2542	-	-	-	-	-	-	-
South Africa	(R)	5.7879	-0.0069	858 - 900	5.8091	5.7833	-	-	-	-	-	-	-
South Korea	(Won)	1215.04	-2.3	469 - 539	1220.38	1214.32	-	-	-	-	-	-	-
Taiwan	(T$)	42.5233	+0.1162	992 - 474	42.6981	42.4089	-	-	-	-	-	-	-
Thailand	(Bt)	39.7031	-0.0572	889 - 172	39.8430	39.6920	-	-	-	-	-	-	-

† Rates for Oct 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.0404	-0.0232	361 - 446	10.0450	9.9745	10.0253	1.8	9.9852	1.8	9.8859	1.5	106.8
Belgium	(BFr)	29.3900	-0.025	700 - 100	29.4200	29.1480	29.349	1.7	29.27	1.6	28.97	1.4	108.8
Denmark	(DKr)	5.5510	-0.001	495 - 525	5.5580	5.5055	5.5518	-0.2	5.5475	0.3	5.557	-0.1	109.1
Finland	(FM)	4.3122	+0.0178	096 - 148	4.3198	4.2745	4.3117	0.1	4.3107	0.1	4.3062	0.1	87.5
France	(FFr)	5.0149	+0.0551	140 - 158	5.0175	4.9343	5.1002	-20.4	5.0102	0.4	4.9978	0.3	109.2
Germany	(DM)	1.4270	-0.0031	265 - 275	1.4300	1.4135	1.4248	1.9	1.4204	1.8	1.4019	1.8	111.2
Greece	(Dr)	234.885	+0.505	800 - 730	235.100	232.590	236.39	-8.8	239.59	-8.4	253.065	-7.8	67.0
Ireland	(I£)	1.6105	-0.001	095 - 115	1.6165	1.6080	1.6107	-0.1	1.6108	-0.1	1.6173	-0.4	-
Italy	(L)	1617.35	+5.6	660 - 810	1618.10	1609.00	1624.1	-5.0	1638.15	-4.8	1693.35	-4.7	68.4
Luxembourg	(LFr)	29.3900	-0.025	700 - 100	29.4200	29.1480	29.349	1.7	29.27	1.6	28.97	1.4	108.9
Netherlands	(Fl)	1.6007	-0.0008	002 - 011	1.6016	1.5850	1.598	2.0	1.593	1.9	1.573	1.7	108.7
Norway	(NKr)	6.3065	+0.0185	050 - 080	6.3231	6.2460	6.3027	0.7	6.2965	0.6	6.2885	0.3	98.5
Portugal	(Es)	150.130	+0.43	070 - 190	150.700	148.850	150.595	-3.7	151.605	-3.9	156.23	-4.1	95.8
Spain	(Pta)	123.750	+0.05	700 - 800	124.090	123.130	124.13	-3.7	124.9	-3.7	128.395	-3.8	80.5
Sweden	(SKr)	7.0293	+0.0651	255 - 330	7.0403	6.9449	7.0468	-3.0	7.0838	-3.1	7.2518	-3.2	82.2
Switzerland	(SFr)	1.1485	-0.0007	480 - 490	1.1512	1.1345	1.1449	3.8	1.1388	3.4	1.111	3.3	115.9
UK	(£)	1.5809	-0.0016	806 - 811	1.5880	1.5797	1.5797	0.9	1.5785	0.6	1.5686	0.8	84.4
Ecu	-	1.2838	-	834 - 841	1.2946	1.2831	1.2842	-0.4	1.2849	-0.3	1.2872	-0.3	-
SDR†	-	0.67002	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0004	994 - 995	0.9995	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	0.9584	-0.0001	583 - 584	0.9585	0.9581	-	-	-	-	-	-	-
Canada	(C$)	1.3320	-0.0031	317 - 322	1.3395	1.3315	1.3325	-0.4	1.3338	-0.5	1.344	-0.9	84.5
Mexico	(New Peso)	6.5350	+0.02	250 - 450	6.5450	6.5200	6.5373	-0.4	6.5404	-0.3	6.5453	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3135	-0.0021	132 - 141	1.3144	1.3089	1.3153	-1.6	1.3189	-1.6	1.3386	-1.9	87.7
Hong Kong	(HK$)	7.7325	+0.0012	320 - 330	7.7333	7.7317	7.734	-0.2	7.736	-0.2	7.7562	-0.3	-
India	(Rs)	33.9000	+0.005	900 - 100	33.9600	33.8200	34.05	-5.3	34.355	-5.4	35.825	-5.7	-
Israel	(Shk)	3.0083	+0.0009	058 - 107	3.0117	2.9989	-	-	-	-	-	-	-
Japan	(Y)	100.750	+0.285	700 - 800	100.800	99.6800	100.255	5.9	99.335	5.6	95.48	5.3	143.6
Malaysia	(M$)	2.5365	+0.0008	360 - 370	2.5390	2.5335	2.5365	0.0	2.5389	-0.1	2.5445	-0.3	-
New Zealand	(NZ$)	1.5099	-0.0046	094 - 105	1.5107	1.5044	1.514	-3.3	1.5215	-3.1	1.5462	-2.4	-
Philippines	(Peso)	25.8900	-0.02	700 - 100	25.9100	25.8700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 507	3.7508	3.7503	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4285	+0.001	280 - 290	1.4322	1.4250	1.4251	2.9	1.4188	2.7	1.394	2.4	-
South Africa	(R)	3.6613	-0.0018	605 - 620	3.6660	3.6575	3.6866	-8.3	3.7367	-8.2	3.9678	-8.4	-
South Korea	(Won)	768.600	-0.65	500 - 700	769.500	768.300	771.6	-4.7	775.1	-3.4	793.6	-3.3	-
Taiwan	(T$)	26.8990	+0.1015	880 - 100	26.9100	25.7700	26.919	-0.9	26.959	-0.9	-	-	-
Thailand	(Bt)	25.1150	-0.01	100 - 200	25.1200	25.1000	25.2025	-4.2	24.85	4.2	26.07	-3.8	-

† SDR rate per $ for Oct 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 5. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅛	4¼	4¼	4¼	4¼	8.00	3.50	-
week ago	4⅛	4⅛	4¼	4⅜	4½	8.00	3.50	-
France	5⅝	6½	6⅝	6⅝	6⅝	5.00	-	6.15
week ago	5⅝	6½	6¼	6⅝	6⅝	5.00	-	6.15
Germany	4⅛	4¼	4	4¼	4¼	5.50	3.50	4.05
week ago	4⅜	4¼	4¼	4¼	4¼	5.50	3.50	4.08
Ireland	5⅞	5¾	5⅞	6⅛	6⅜	-	-	6.25
week ago	5⅝	5¾	5⅞	6	6⅜	-	-	6.25
Italy	10¼	10⅜	10⅝	10¾	10¾	-	9.00	10.36
week ago	10¼	10⅜	10⅝	10¾	10⅞	-	9.00	10.29
Netherlands	3⅝	3⅞	3⅝	3⅝	4⅛	-	3.50	3.80
week ago	3⅝	3⅞	3⅞	3⅞	4	-	3.50	3.80
Switzerland	1¾	2¼	2¼	2¼	2¼	5.00	2.00	-
week ago	3½	2¼	2¼	2⅛	2¼	5.00	2.00	-
US	5⅝	5¾	5⅝	5⅝	6	-	5.25	-
week ago	5⅞	5¾	5⅝	5⅝	5⅞	-	5.25	-
Japan	⅝	⅜	½	¼	⅜	-	0.50	-
week ago	⅞	⅝	⅝	½	⅜	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅝	5⅝	5⅞	-	-	-
week ago	-	5⅞	5⅝	5⅝	6	-	-	-
US Dollar CDs	-	5.61	5.60	5.60	5.85	-	-	-
week ago	-	5.61	5.60	5.63	5.74	-	-	-
ECU Linked Ds	-	5⅝	5⅝	5⅝	5¾	-	-	-
week ago	-	5⅝	5⅝	5⅝	5⅝	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅜ - 4¼	4⅜ - 4¼	4¼ - 4⅛	4⅜ - 4¼	4½ - 4⅜	4⅝ - 4½
Danish Krone	6½ - 6¼	5½ - 5¼	5¾ - 5½	5⅞ - 5⅝	5⅞ - 5¾	5⅞ - 5¾
D-Mark	4⅛ - 4	4⅛ - 4	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞
Dutch Guilder	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3⅞	3⅞ - 3¾	4⅛ - 3⅞
French Franc	6 - 5½	6¼ - 6	6⅝ - 6⅛	6⅝ - 6⅛	6½ - 6	6⅝ - 6⅜
Portuguese Esc.	8⅝ - 8⅜	8⅝ - 8⅜	9⅛ - 9	9⅛ - 9⅜	9⅜ - 9⅛	9⅜ - 9⅛
Spanish Peseta	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9¼	9½ - 9⅜	9⅜ - 9⅜	9⅝ - 9⅝
Sterling	7 - 6¾	6⅞ - 6⅝	6¾ - 6⅝	6¾ - 6⅝	6¾ - 6⅝	6¾ - 6⅝
Swiss Franc	2⅜ - 2⅛	2¼ - 2⅛	2⅜ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼
Can. Dollar	6⅜ - 6⅛	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6¼	6½ - 6⅜	6⅞ - 6⅝
US Dollar	5¾ - 5½	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5¾	5⅞ - 5⅝
Italian Lira	8⅜ - 8⅝	10⅜ - 10¼	10½ - 10¼	10¾ - 10½	10¾ - 10⅝	10⅞ - 10⅝
Yen	½ - ⅜	⅜ - ⅜	⅜ - ¼	⅜ - ⅜	⅜ - ⅜	⅜ - ¼
Asian $Sing	2⅞ - 2½	2¾ - 2⅝	2⅞ - 2⅝	2⅞ - 2¾	2⅞ - 2⅝	3⅛ - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.24	-	94.31	94.21	87,046	413,754
Mar	94.41	94.40	-0.01	94.48	94.35	112,757	359,719
Jun	94.38	94.37	-0.01	94.44	94.32	52,228	247,304

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.79	94.77	-0.01	94.84	94.76	880	13,755
Mar	94.88	94.87	-0.02	94.93	94.86	179	3,602
Jun	-	94.87	-0.01	94.89	94.85	12	149

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.89	17.06	4.856	2.114	5504	5.446	21.46	510.8	421.0	23.91	3.909	2.152	4.533	3.403	342.9	2.652
Denmark	(DKr)	52.95	10	9.035	2.571	1.119	2914	2.883	11.36	270.4	222.9	12.66	2.070	1.140	2.400	1.802	181.5	1.404
France	(FFr)	58.60	11.07	10	2.846	1.239	3225	3.191	12.58	299.3	246.7	14.01	2.291	1.261	2.656	1.994	200.9	1.554
Germany	(DM)	20.59	3.890	3.514	1	0.435	1133	1.121	4.419	105.2	86.70	4.925	0.805	0.443	0.934	0.701	70.61	0.546
Ireland	(I£)	47.31	8.936	8.073	2.297	1	2604	2.576	10.15	241.6	199.2	11.31	1.849	1.018	2.145	1.610	162.2	1.255
Italy	(L)	1.817	0.343	0.310	0.088	0.038	100.	0.099	0.390	9.280	7.650	0.434	0.071	0.039	0.082	0.062	6.230	0.048
Netherlands	(Fl)	18.36	3.468	3.134	0.892	0.388	1011	1	3.941	93.79	77.31	4.391	0.718	0.395	0.832	0.625	62.96	0.487
Norway	(NKr)	46.60	8.801	7.952	2.263	0.985	2565	2.538	10	238.0	196.2	11.14	1.821	1.003	2.112	1.586	159.8	1.236
Portugal	(Es)	19.58	3.698	3.341	0.951	0.414	1078	1.066	4.201	100.	82.43	4.682	0.765	0.421	0.887	0.666	67.13	0.519
Spain	(Pta)	23.75	4.486	4.053	1.153	0.502	1307	1.293	5.097	121.3	100.	5.680	0.928	0.511	1.077	0.808	81.44	0.630
Sweden	(SKr)	41.82	7.898	7.136	2.031	0.884	2302	2.277	8.974	213.6	176.1	10	1.635	0.900	1.896	1.423	143.4	1.109
Switzerland	(SFr)	25.58	4.832	4.366	1.242	0.541	1408	1.393	5.490	130.7	107.7	6.118	1	0.551	1.160	0.871	87.72	0.678
UK	(£)	46.46	8.775	7.928	2.256	0.982	2557	2.530	9.970	237.3	195.6	11.11	1.816	1	2.106	1.581	159.3	1.232
Canada	(C$)	22.06	4.167	3.764	1.071	0.466	1214	1.201	4.734	112.7	92.88	5.275	0.862	0.475	1	0.751	75.64	0.585
US	($)	29.39	5.550	5.015	1.427	0.621	1617	1.600	6.306	150.1	123.7	7.027	1.149	0.633	1.332	1	100.8	0.779
Japan	(Y)	29.17	5.508	4.977	1.416	0.616	1605	1.588	6.259	149.0	122.8	6.974	1.140	0.628	1.322	0.992	100.	0.773
Ecu		37.71	7.123	6.435	1.831	0.797	2075	2.054	8.093	192.6	158.8	9.018	1.474	0.812	1.709	1.283	129.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7056	0.7057	-0.0006	0.7099	0.7016	23,848	46,098
Mar	0.7092	0.7089	-0.0005	0.7131	0.7050	536	2,430
Jun	-	0.7120	-0.0004	-	-	5	67

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8832	0.8791	-0.0037	0.8875	0.8740	16,382	32,098
Mar	0.8915	0.8865	-0.0037	0.8947	0.8820	131	2,083
Jun	-	0.8938	-0.0036	0.9010	0.8900	29	50

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0165	1.0045	-0.0116	1.0175	1.0012	21,733	58,437
Mar	1.0315	1.0188	-0.0017	1.0315	1.0163	759	8,584
Jun	-	1.0324	-0.0118	-	1.0310	10	319

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5820	1.5812	-0.0024	1.5860	1.5764	4,828	30,242
Mar	-	1.5778	-0.0028	1.5830	1.5720	2	118
Jun	-	1.5742	-0.0032	1.5790	1.5700	14	10

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.540	4.25	4.58	5.08	-	0.45	0.98
1.550	3.29	3.78	4.37	-	0.65	1.27
1.560	2.43	3.05	3.71	0.08	0.85	1.61
1.570	1.62	2.45	3.12	0.27	1.20	2.01
1.580	0.96	1.89	2.84	0.60	1.63	2.24
1.590	0.49	1.42	2.58	1.14	2.17	2.47

Previous day's vol., Calls 15,834 Puts 8,968 . Prev. day's open int., Calls 258,118 Puts 278,968

■ Pound in New York

Oct 6	Close	Prev. close
£ spot	1.5835	1.5854
1 mth	1.5823	1.5842
3 mth	1.5802	1.5824
1 yr	1.5706	1.5732

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

FT GOLD MINES INDEX

	Oct 6	% chg since 30/12/94	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1953.07	-1.1	48.99	100.00	1.92	-	2304.73	1637.91
■ Regional indices								
Africa (15)	2887.81	-15.8	14.51	29.62	4.03	24.78	3711.87	2428.19
Australasia (6)	2362.12	-3.8	5.98	12.22	2.15	25.95	2951.49	1788.20
North America (12)	1684.59	+9.1	28.50	58.17	0.80	48.31	1831.00	1346.18

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	14.1	71	50	Consolidated Coal	64		-	-	-	-
-	F.P.	5.62	125	120	†Euro Sales Fin	125		-	-	-	-
-	F.P.	5.85	40	25	Hay & Robertson	38		v-	-	-	-
-	F.P.	11.9	80	68	†Inner Workings	71	-2	-	-	-	-
65	F.P.	16.9	89	84	Mayflower	88		Zv0.67	2.6	1.0	50.2
45	F.P.	17.6	61	52	†MultiMedia	61		v-	-	-	-
-	F.P.	19.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	5.43	96	70	†Omnicare	88		Hv1.5	4.0	2.1	14.6
-	F.P.	14.4	61	60	Pemberstone	60		v-	-	-	-
100	F.P.	30.6	104	98	Pictet British	102		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		v-	-	-	-
125	F.P.	13.2	133	6½	†SCS Satellite	128		-	-	-	-
149	F.P.	49.1	183	168	Universal Salvage	183	+2	Mv5.07	1.7	3.5	21.2
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	1995 Low	Stock	Closing price p	+or-
320	Nil	14/11	102pm	93pm	Alumasc	100pm	-2
105	Nil	24/11	17pm	5pm	Anglo-Eastn Plants	16pm	
18	Nil	28/10	2pm	1pm	Baris	1pm	
275	Nil	13/10	51pm	25pm	Close Brothers	37pm	+1
490	Nil	13/11	103pm	50pm	Forth Ports	103pm	
500	Nil	10/10	87pm	69pm	Johnson Matthey	81pm	
950	Nil	8/11	152pm	121pm	RMC	133pm	-5

pm premium.

UK INTEREST RATES

LONDON MONEY RATES

Oct 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 6¾	6¾ - 6⅝	6¾ - 6⅝	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾
Sterling CDs	-	-	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝
Treasury Bills	-	-	6⅝ - 6⅝	6⅝ - 6⅝	-	-
Bank Bills	-	-	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	-
Local authority deps.	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝
Discount Market deps	7 - 6½	6¾ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.5775pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 6	Sep 29		Oct 6	Sep 29
Bills on offer	£1500m	£1500m	Top accepted rate	6.5981%	6.5580%
Total of applications	£3795m	£5998m	Ave. rate of discount	6.5775%	6.5378%
Total allocated	£1500m	£1500m	Average yield	6.6872%	6.6461%
Min. accepted bid	£98.355	£98.365	Offer at next tender	£1500m	£1500m
Allotment at min. level	27%	88%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday October 4, 1995	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	1,233,773,631	+140,482,241
Bankers deposits	1,653,813,941	-191,069,478
Reserve and other accounts	5,910,473,655	+2,775,802,103
	8,812,614,427	+2,725,214,866
Assets		
Government securities	1,050,262,112	-560,410,000
Advance and other accounts	7,243,241,041	+5,237,864,470
Premise, equipment and other secs	514,640,200	-1,952,590,361
Notes	4,287,269	+345,176
Coin	183,805	+5,581
	8,812,614,427	+2,725,214,866
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,325,712,731	+39,654,824
Notes in Banking Department	4,287,269	+345,176
	19,330,000,000	+40,000,000
Assets		
Other Government securities	13,797,087,353	-4,123,266,687
Other Securities	5,532,912,647	+4,163,266,687
	19,330,000,000	+40,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd.	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)						
Treas 12¾pc 1995‡‡	[illegible]	-.1	840	My15 Nv15	10.4	1298
14pc 1996	102⅛	—	770	Jy22 Ja22	15.6	1305
15¼pc 1996‡‡	104⅜xd	—	1,150	Nv3 My3	27.9	1309
Exch 13¼pc 1996‡‡	[illegible]	—	800	Nv15 My15	10.4	1288
Conversion 10pc 1996	[illegible]	0.1	3,409	My15 Nv15	10.4	1240
Treas 13¼pc 1997‡‡	108¼	-.3	1,290	Jy22 Ja22	15.6	1302
Exch 10½pc 1997	105	0.1	3,700	Au21 Fe21	17.7	1253
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 12½pc 2003-5	[illegible]	0.5	2,200	My21 Nv21	18.4	1295
Treas 8½pc 2005‡‡	[illegible]	0.4	8,900	Ja7 De7	1.5	4946
7½pc 2006‡‡	[illegible]	0.4	3,000	Ja7 De7	-	-
7¾pc 2006‡‡	96¾	—	3,900	Mr8 Se8	2.8	2300
8pc 2002-6‡‡	99⅞	0.6	2,000	Ap5 Oc5	1.8	1334
Treas 11¾pc 2003-7	[illegible]	0.5	3,150	Jy22 Ja22	15.6	1283
Treas 8½pc 2007‡‡	[illegible]	0.4	7,397	Ja16 Jy16	9.6	1339
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked (b)						
2pc '96 (67.9)	[illegible]	—	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡ (135.6)	[illegible]xd	0.2	800	Ap27 Oc27	20.9	1753
2½pc '01 (78.3)	176	0.1	1,700	Mr24 Se24	18.8	1316
2½pc '03 (78.8)	172	0.1	1,800	My20 Nv20	13.4	1317
4⅜pc '04‡‡ (135.6)	114¼xd	0.1	1,000	Ap21 Oc21	14.9	1255
2pc '06 (69.5)	[illegible]	0.2	1,850	Ja19 Jy19	12.6	1314
2½pc '09 (78.8)	[illegible]	0.3	1,500	My20 Nv20	13.4	1318
2½pc '11 (74.6)	[illegible]	0.2	2,200	Fe23 Au23	17.7	1319
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1995: 146.0 and for August 1995: 149.9.

Other Fixed Interest

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	1995 High	1995 Low	Since comp. High	Since comp. Low
FT-SE 100	3526.5	3544.4	3544.1	3524.2	3520.2	3570.8	2954.2	3570.8	986.9
FT-SE Mid 250	3978.0	3991.3	3983.6	3968.5	3958.9	3991.3	3300.9	4152.8	1379.4
FT-SE Mid 250 ex ITs	4003.8	4018.1	4010.4	3994.3	3982.5	4018.1	3308.4	4160.7	1378.3
FT-SE-A 350	1763.4	1771.5	1770.7	1761.5	1758.9	1778.3	1482.4	1778.3	664.5
FT-SE SmallCap	1976.61	1975.48	1973.79	1971.61	1970.52	1993.11	1679.60	2094.96	1363.79
FT-SE SmallCap ex ITs	1962.20	1960.87	1959.07	1958.74	1954.52	1972.38	1658.18	2080.72	1363.79
FT-SE-A All-Share	1743.38	1750.75	1749.84	1741.28	1736.89	1757.58	1469.20	1764.11	61.92
FT-SE-A Fledgling	1077.91	1076.04	1074.75	1073.76	1074.33	1081.88	949.00	1081.88	949.00
FT-SE Eurotrack 100	1401.61	1422.43	1422.58	1421.48	1423.05	1480.89	1222.41	1540.19	900.45
FT-SE Eurotrack 200	1524.49	1541.57	1528.03	1526.91	1524.47	1585.52	1314.73	1667.10	938.62
FT Ordinary	2612.9	2625.4	2627.3	2613.7	2607.5	2666.5	2238.3	2713.6	49.4
FT Govt Securities	93.11	93.34	93.44	93.25	93.25	95.89	90.22	127.40	49.18
FT Fixed Interest	111.53	111.78	111.74	111.57	111.52	114.86	108.77	133.87	50.53
FT Gold Mines	1953.07	1951.83	1951.97	1954.71	1971.80	2337.9	1637.91	2367.40	922.16

CONTRACTS & TENDERS

BRAILA FREE ZONE ADMINISTRATION

ANNOUNCES

OPEN PUBLIC AUCTION WITH PRE-QUALIFICATION for the concession of lands in the Free Zone

The auction will be held on November 20, 1995 11 o'clock local time, at the Romanian Commercial Bank - Braila Branch, 17 Calarasi Street. The maximum period for concession of land is 50 years.

Those interested may submit their letter of application before November 6, 1995 containing:

- the name of the applicant;
- the complete address, fax no., phone no., tlx no., etc.
- the required location;
- the activities to be carried out;
- the period of time for which concession is requested.

The documents regarding the auction are available at the Headquarters of the Braila Free Zone Administration, for the amount of US$ 350, payable on our account no. 47214161570, opened at the Romanian Commercial Bank - Braila Branch.

The documents may also be sent by fast mail after the payment confirmation of the cost and postage in our account.

The participation fee is US$ 220.

For additional information please contact us:

Braila Free Zone Administration
phone no. 40-39/683872 fax no. 40-39/683872
Braila, Romania

CONTRACTS & TENDERS

GOVERNMENT OF ROMANIA MINISTRY OF HEALTH

The Ministry of Health of Romania, based on the Governmental Decision No. 232/1995 that guarantees the importation of equipment for cardiology centres by the Ministry of Health, now invites qualified firms to an International Competitive Bidding for the purchasing of:

a) Equipment for cardiac diagnosis and interventional cardiology;

b) Equipment for electrocardiography, electrophysiology, heart monitoring, anaesthesia, intensive therapy, operation theatre and immunology.

Interested firms can obtain more information and purchase the Bidding Documents from the Ministry of Health - Department for Pharmaceutical and Medical Equipment - starting from 25 September, 1995. Bidding Documents can be purchased for a non-refundable fee of 2,000 USD.

The deadline for submission of bids is 14 November, 1995 at 13:00 hours (local time). Bids should be submitted to the Registration Office at the Ministry of Health, on or before the time established for the deadline.

Bids will be opened on 15 November, 1995 at 10:00 hours (local time).

Ministry of Health of Romanian - Str. Ministerului 1-3 - Sector 1 - 70109 - Bucharest - ROMANIA - Tel/Fax: (401) 323 8124.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
Fidelity Currency Funds Ltd						
Pembroke Hall, Pembroke, Bermuda						
[illegible]						
Jupiter Tyndall (Bermuda) Ltd						
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760						
Eurobond			$15.45	16.23	2.74	[illegible]
[illegible]						
Newport Investment Management						
73 Front street, Hamilton, Bermuda						
[illegible]						
Orion Fund Limited						
6 Front St., Hamilton, HM11, Bermuda 809 292 [illegible]						
Orion Sep 29			$26.50		–	[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Citizens Investment Trust Mngt Company

[illegible]

Daiwa Europe Fund Managers Ireland Ltd

[illegible]

Dragon Korea Fund Plc

[illegible]

Dynamic Pacific Portfolio Fund Plc

[illegible]

Egerton Capital European Fund Plc

[illegible]

Emerging Dynamic Fund Plc

[illegible]

Emerging Market Growth Fund Plc

[illegible]

F.I.T. Investment Trust Ltd (u)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Sun Life Management (IoM) Ltd
PO Box 22, Castletown, IoM

[illegible]

Ulster Bank Global Funds Plc
Victory House, Prospect Hill, Douglas, IoM

[illegible]

Unibank Scandinavian Fund Ltd
19-21, Circular Rd, Douglas, IoM

[illegible]

ISLE OF MAN (REGULATED)(**)

For ATC Fund Management see Sylvia International

AXA Equity & Law Intl Fund Mgs

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Fund	Selling Price	Buying Price	Yield Gross	City-Line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

Fund	Selling Price	Buying Price	Yield Gross	City-Line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE INSURANCES

Fund	Selling Price	Buying Price	Yield Gross	City-Line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 9pc Cm 2nd Prf		80½	—	9%	–	Jan Dec	14.11	1757
9¼pc Non-Cum Prf		[illegible]	—	9¼%	–	Jan Jul	14.11	1421
Cater Allen	♣v	483	−3.0	28.0	2.2	Jan Aug	3.7	2061
Close Bros	♣pv	319xr	−1.9	8.7	♦	Apr Nov	12.3	2166
Gerrard & Nat	♣v	446	−2.0	22.5	1.3	Jul Dec	10.7	2595
Hambros	v□	268	6.7	7.5	0.3	Aug Dec	18.6	2612
7¼pc Cv Pf		194	—	7½%	–	Oct Apr	4.9	[illegible]
Joseph (L)	♣v	443	1.8	17.85	1.0	Sep Dec	17.7	3080
King & Shaxson	♣v	137	−.7	9.6	1.4	Jan Jul	26.6	3088
Rea Brothers	♣v	48	−2.1	1.8	2.4	May Sep	14.8	3785
Schroders	♣†tv□	1339xd	−1.3	14.17	5.1	May Oct	18.9	3939
N/V	†tv	1179xd	−.5	14.17	5.1	May Oct	18.9	3941
Singer & Fried	♣†v□	168xd	0.9	3.7	2.7	Nov Jun	25.9	4028
Union	♣v□	112	−2.6	3.0	–	Apr Aug	31.7	4350
Wintrust	♣v	285	—	11.35	1.6	Mar Oct	28.8	4524

BANKS, RETAIL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	[illegible]	1.6	[illegible]	2.1	Sep May	9'93	–
ANZ A$	†	270	−.4	[illegible]	2.4	Jan	12'93	–
Abbey National	♣†v□	554xd	2.2	18.3	2.8	May Oct	7.8	5411
Allied Irish I£	♣†□	316	0.3	[illegible]	3.1	Sep Apr	7.8	1364
Anglo Irish I£	□	61	—	[illegible]	1.8	Jan Jul	22.5	1355
Asahi Y	□	687½	0.3	[illegible]	1.3	Jan Dec	12'92	[illegible]
Banco Bil Viz Pta	□	[illegible]	−.3	[illegible]	2.7	[illegible]	7'93	–
Banco Sant Pta		[illegible]	—	[illegible]	1.1	[illegible]	2.5	–
Bk Ireland I£	v□	405	1.5	[illegible]	3.9	Jan Jul	22.5	1380
Bank Scotland	♣†v□	238	−1.7	6.14	3.7	Jul Dec	9.5	1742

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31⅛		0478c	ф	Oct Apr	3'93	-
Barlow	♣	27¼	2.7	056c	2.8	Jan Jul	18.6	-
Gold Flds Prop R		142xa	-2.7	086c	2.1	Feb Sep	1'94	-
NK Props		88		067.1c	-	Feb Sep	10'93	-
SASOL	♥	614	-2.1	078c	-	Oct	9'93	-
SA Brews		£19⅞	0.6	0208c	ф	Jun Dec	30.5	-
Standard Bank	□	£21⅞	-1.3	0284c	3.1	Sep Mar	-	-
Tiger Oats		815	-2.7	085c	2.8	Jan Aug	19.5	-
Tongaat-Hulett	††	783	1.0	026c	2.4	Jun Jan	15.5	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the *Financial Times Group*

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ *Interim since reduced, passed or deferred*
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ *Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.*
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. *v P/e ratio & net cover* calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus *or other* official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other *official estimates.* W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Morrison Cstn** (Bldg Cstn), **Media Bus** (Media), **Ann St Brewery Ord & Prf, Caledonian Tst, Cavendish Wates, CI Comms**(TV), **Dean Corp, Electrophoretics, Furlong Homes, Guiton, Lano Enterprises, Pao Media, Rioemon Insce, Telecom Credit, Toad, Westmt Energy** (AIM).

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £8.45.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

4 pm close October 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅛	AAR	0.48	2.7	23	75	17⅝	17½	17½	-⅛
46¼	35	AMP	0.92	2.4	20	10125	38¾	37¾	37⅞	
80¼	53⅜	AMR			19	3132	71¾	70¾	71⅛	+⅜
47⅞	41½	ASA	1.71	4.1	27	270	41⅞	41⅝	41⅞	+¼
44¾	30¾	AbbtL	0.84	1.9	21	7526	44⅛	43⅜	44⅛	+¼
18⅞	12	AbitibiPr	0.40	2.3	20	6447	17⅝	17¼	17½	+¼
27⅜	21	ABM Ind	0.60	2.2	15	42	u27⅝	27¼	27⅝	+¼
17½	13½	Acptncein			11	402	15⅝	15⅜	15⅝	+⅛
34¾	21⅞	ACE Ltd x	0.56	1.7	8	946	34⅛	33⅞	33⅞	-¼
9⅞	8⅛	ACM Gvt In x	0.90	9.1	8	123	u9⅞	9¾	9⅞	+⅛
7¾	6½	ACM GvOpp x	0.66	9.1		2	7¼	7¼	7¼	-⅛
7½	5¾	ACM Gvt Sp x	0.75	10.7		725	7	6¾	7	+⅛
8¾	7¼	ACM Gvt Se x	0.90	10.4		412	u8¾	8⅝	8⅝	-⅛
9½	7⅝	ACM Mgn x	0.90	10.3		147	8⅞	8¾	8¾	-⅛
29¼	10¼	AcmeCv	0.48	1.9	12	95	25¾	25½	25½	-⅛
38¾	8⅞	Acme Elect			44	528	9	d8½	8⅞	-⅛
34½	23¾	AcordIa	0.72	2.9	12	128	24⅞	24½	24⅝	+½
19¼	8⅝	Actava	0.36	2.1	12	202	17⅜	17⅛	17¼	-⅛
18¾	10⅛	Acuson			34	190	13⅛	13	13⅛	
18⅝	15⅝	Adams Expr	0.48	2.6	0	277	u18¾	18½	18¾	+⅛
38⅞	25	AdvMic			7	8199	28	27¼	27⅜	
9⅜	5	Advest Grp	0.16	1.7	17	56	u9⅜	9⅛	9⅜	
24	16½	Advo Inc	0.10	0.4	18	914	23¼	23	23⅛	-¼
37¼	24.80	Aegon	1.28	3.5	20	32	36⅞	36⅝	36¾	+⅛
5⅞	3⅜	Aerflx			9	111	5	4⅞	5	+⅛
75½	46⅜	AetnaL	2.76	3.8	52	2143	72⅜	71¾	72⅜	+⅜
44¾	31⅞	Aflac	0.52	1.3	12	2135	41½	40⅞	41⅜	+⅞
26¼	16	Ahmnsn	0.88	3.4	15	2829	26⅛	25½	25⅞	+⅜
59½	43⅞	AirPrC x	1.04	2.0	16	3135	51¾	50¾	51¼	
25⅝	18⅜	Airbne Frt	0.30	1.3	21	594	23½	23¼	23½	+¼

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

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- I -

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- J -

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- K -

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- L -

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- M -

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- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close October 6

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
30⅝	24¼	SaraLee	0.68	2.3	18	7380	30	29½	29¾	
35⅝	30⅝	SBC Cm	1.65	3.0	18	2742	34⅞	54	54¼	-⅛
24½	20½	Scana Corp	1.44	5.9	17	887	u24½	24⅜	24½	
18	14½	Scecrp	1.00	5.6	10	8857	17½	17⅛	17⅞	+⅛
11¾	7	SchawkA	0.25	3.5	13	45	7⅜	7⅛	7⅜	
50¾	37¼	ScherePP			24	1057	46⅞	46¼	46¼	
54¾	35½	SchrPl	1.16	2.2	20	5754	53⅝	52⅞	53	-⅞
68⅝	50⅛	Schlmb	1.50	2.3	26	3677	66¾	66⅜	66½	
28	11¼	Schwab(C)	0.16	0.6	31	1918	27⅛	25¾	26⅞	+⅝
24⅞	15	SciAtl	0.06	0.4	18	5006	15¾	15⅜	15⅝	+⅝
30	15⅛	Scotsman x	0.10	0.6	10	46	16¼	16⅛	16¼	+⅛
51⅝	33½	ScottP	0.40	0.8	16	3831	48⅛	48⅝	48⅞	-⅛
35¾	26⅞	Scripps	0.52	1.5	24	504	35⅝	35⅛	35⅝	+⅝
27½	14⅜	ScuddrNAsF	0.02	0.1		179	15½	15⅛	16⅜	+⅛
11⅞	8⅝	ScuddrNEuF	0.16	1.5		221	10¾	10⅝	10⅝	
20	13⅝	SeaCnB	0.70	3.6	2	560	19½	19⅛	19⅜	-⅛
16	14⅝	SeaC1.4625	1.46	9.3		4	15¾	15¾	15¾	+¼
40⅝	23⅝	S'gate			11	7301	41⅛	39⅝	39⅝	-⅞
38⅛	25⅝	Seagrm	0.60	1.6	25	2266	37	36½	36⅞	+¼
22½	15¼	Seagull En			11	1167	19¼	18⅞	19	-¼
28¼	18	Sealed Air			23	787	28¼	25⅜	28¼	+⅛
57⅞	30⅝	SearsR	0.82	2.8	8	6449	36⅝	35¾	35⅞	-⅞
19⅝	16⅜	SecCapStl	1.15	6.4	22	1046	18⅜	18	18	-¼
12⅞	10⅝	Seligm Sel	0.84	7.1		23	12	11⅞	11⅞	-⅛
30¼	20¼	Sensormat	0.22	1.0	22	2308	23¼	22⅞	23	
31¾	21⅞	SequaA	0.60	2.3	8	73	26⅝	26⅜	26⅝	
35⅛	23	SequaB	0.50	1.5	17	17	32½	32½	32½	-⅛
36⅞	26¼	ServCp	0.44	1.1	24	2071	u40	39½	40	+⅛
28⅝	21½	SvMstr	0.96	3.4	14	245	28¼	27⅞	28	-⅛
7⅝	4⅛	ServMerch			11	380	8⅜	8¼	8¼	-⅛
57½	22½	SGSTbm			55	411	46¼	45½	45⅞	+⅝
17⅞	12	Shaw Ind	0.30	2.1	16	3777	14¼	13⅞	14	-½
34⅝	16½	Shawmut Nt	0.88	2.6	13	2127	34⅛	33⅞	33⅞	-⅛
13⅝	7⅝	Shelby Wl	0.28	2.2	75	138	12¾	12⅝	12¾	+⅛
75⅝	64¼	ShellTr	2.88	4.0	17	541	72¾	72	72¾	

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
28⅝	19¾	Taiwan Fd	0.02	0.1		741	23½	23	23⅛	+⅛
10⅞	7⅜	Talleyind	0.42	4.7	69	61	9	8¾	9	+¼
17⅛	12½	Talley Pf	1.00	6.5		744	15½	15½	15½	
46⅛	37⅞	Tmbrds	1.76	3.9	19	492	45⅛	44¾	45	
18¾	11¾	Tandem			8	2013	12¼	12	12⅛	
64⅞	44	Tandy x	0.72	1.2	19	3067	59¼	58⅝	58⅝	-¼
10⅛	9	Taurus Mun	0.64	6.9		79	9½	9¼	9⅜	
3	1¾	TCCInd			35	4	2½	2½	2½	
23⅞	20	Teco Energ	1.06	4.5	16	422	23½	23⅛	23⅜	-⅛
59⅝	31⅜	Tktrnx	0.60	1.1	20	1794	56⅞	58⅜	58⅞	-⅛
29¼	24¼	TeleDa	0.93	3.6	2	2135	25⅝	25⅛	25⅝	+½
27⅝	19¾	Teldyn	0.40	1.6	10	1238	25¼	25	25⅛	+⅛
44	33¼	TeleEspSA	1.19	3.0	14	1017	39½	39⅛	39⅛	-½
41½	23	Telmex	0.87	2.8		103577 3	31⅝	30⅜	31½	+1⅛
55¾	41½	Tmpinl	1.20	2.4	13	1624	50⅝	49⅛	49½	-⅞
22⅛	16⅝	TempltEmMk	0.10	0.5		115	20⅛	19⅞	20⅛	+⅜
7⅛	6¼	TempltGlob x	0.60	8.4		110	d7⅛	7	7⅛	+⅛
7	6⅜	TempltGrd	0.60	8.9		2328	d7	6¾	6¾	-⅛
50¼	42¼	Tenneco	1.60	3.5	12	5430	45⅝	44⅛	45½	+1⅜
33⅜	25¼	Teppco Pts	2.60	7.8	10	110	u33⅜	32⅞	33⅜	+¼
43	16	Teradyne				22 10428	33½	31⅜	32¾	-⅛
7⅛	3⅛	Terex	0.08	1.3	2	60	4⅜	4⅜	4⅜	+¼
14⅞	9¾	Terra Inds	0.12	0.9	8	1860	14	13½	14	+½
12	7¼	Tesoro			8	1615	7½	d7¼	7½	+⅛
69⅝	59¾	Texaco	3.20	4.8	14	5694	66½	65¾	66⅞	
53⅝	30⅛	Texas Ind	0.40	0.8	10	37	50¾	50½	50½	-⅛
83½	34½	TxInst	0.68	0.9		16 14866	76¾	74⅝	74⅞	
28¾	17	Texas Pac	0.40	1.5	17	11	27	26⅞	27	+⅛
38⅛	30⅛	TxUtl	3.08	8.9	14	4995	35	34½	34½	-⅝
3⅜	2⅜	Textl Inds	1.10	44.0	41	41	2⅝	2½	2½	-⅛
70⅛	48⅝	Textrn	1.56	2.3	13	1646	68½	67¼	68¼	+1⅛
5⅝	3⅝	Thackeray			67	3	4⅜	4⅜	4⅜	-⅛
19	13⅛	Thai Cap	1.90	12.2		71	15¾	15⅝	15⅝	+⅛
28½	19¼	Thai Fund	0.07	0.3		87	25	24½	25	+½
47¼	29.21	ThermoElec	0.12	0.3	29	1284	45	44¼	44⅞	+⅞
37⅛	25⅜	Thiokl	0.68	2.0	12	76	34¼	33¾	34¼	+⅜
70⅞	62	ThBett	2.24	3.5	187	254	64	62¾	63⅞	+1¼

AMEX COMPOSITE PRICES

4 pm close October 6

NASDAQ NATIONAL MARKET

4 pm close October 6

FT GUIDE TO THE WEEK

MONDAY 9

Apec meeting in Tokyo

Officials of the Asia-Pacific Economic Co-operation forum begin a five-day high-level meeting in Tokyo, to prepare for the summit in November. They will try to iron out differences over a plan to drop all barriers to trade and investment between their members, who make up more than half the world economy, by 2020.

Japan, South Korea and China do not want to apply the free-trade accord to farming. The US, Canada and Australia, however, say there should be no exceptions and argue that making a special case for farming would only invite other demands for exemptions, with the risk that the whole plan could unravel.

Franco-Spanish summit

Spain will be looking for clarification of France's position on European monetary union in a two-day bilateral summit in Madrid. The Spanish worry that France may be taken aboard the single currency for political reasons, leaving southern EU countries out. Relations with Algeria and Morocco will also feature strongly in the discussions between the French president, Jacques Chirac, and the Spanish prime minister, Felipe González.

Nobel prizes awarded

The big week in the annual round of Nobel prizes starts today (until Oct 13), in Stockholm with the award of the 1995 prize for medicine. Nobel watchers will be looking to see if last year's dominance in the academic disciplines of Americans and North American-based scientists is repeated. The prize-giving, which will also be for contributions to economics, chemistry and physics, will climax with the peace prize on Friday.

India auctions state groups

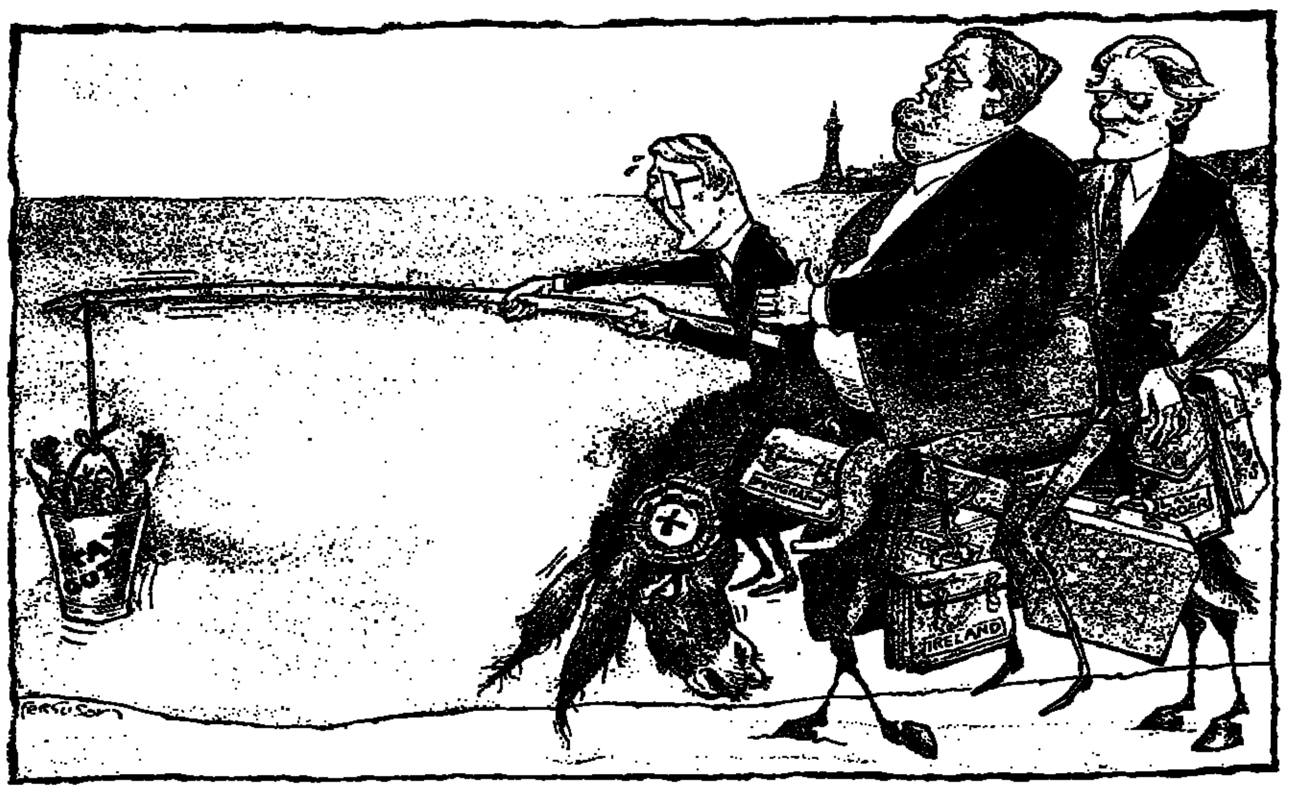
India's government relaunches its limited privatisation programme with an offer by auction of small stakes in four big state-owned corporations. Bidding for stakes in Mahanagar Telephone Nigam Limited, Oil and Natural Gas Corporation of India, Container Corporation of India and Steel Authority of India closes on October 20. The government is inviting bids for stakes of no less than Rs25,000 ($740) from Indian and foreign financial institutions. Bombay analysts believe the auction could raise up to Rs10bn.

Euro-Arctic co-operation

A two-day meeting opens in Rovaniemi, northern Finland, of the Barents Euro-Arctic Council. Foreign ministers from Denmark, Finland, Iceland, Norway, Russia and Sweden, as well as officials from the European Commission, meet to discuss regional co-operation. High on the list of concerns are Russia's nuclear weapons and other installations in the Kola penninsula.

Trial starts in Kenya

Three men charged with assaulting leaders of the opposition political party Safina and journalists in the central Kenyan town of Nakuru on August 10 are to appear in a Nairobi court. Mohamed Halkano Boru, Patrick Ndungu Mugo and John Kauria arap Koskei are pleading not guilty to the carrying out the attack with whips. The Safina members and journalists had gone to Nakuru for the trial of leading dissident Koigi Wa Wamwere and others for attempted robbery. Last week, Mr Koigi was sentenced to four years imprisonment.



Conservatives gather in Blackpool for the annual Tory party conference.

Gulf war compensation

The United Nations Compensation Commission meets in Geneva to consider nearly 220,000 claims worth $771m from people forced to leave Kuwait or Iraq after Iraq's invasion of Kuwait. So long as Iraq refuses to sell oil on UN-dictated terms, however, there is no money to pay these claims.

FT Surveys

Colombia and Finland in the EU.

Holidays

Azerbaijan, Canada (Thanksgiving Day), Ecuador, Fiji, Israel, Uganda, US (Columbus Day).

TUESDAY 10

Bosnia ceasefire to begin

A ceasefire between the Bosnian government and the Serbs is to take effect on condition that gas and electricity supplies were restored to Sarajevo, the Bosnian capital. Under the deal, announced by the US president, Bill Clinton, the warring parties will end all hostile military actions, with Bosnia, Croatia and Serbia attending peace talks later this month.

Focus on debt surveillance

The annual meetings of the International Monetary Fund and the World Bank start in Washington (until Oct 11). Key topics will be how the organisations should deal with the problem of multilateral debt and how surveillance should be conducted of national economic policies in the aftermath of the Mexico crisis. The IMF is planning to set standards for the economic and financial statistics that its members provide to the fund and the markets.

Tory conference opens

The Conservative party conference opens in Blackpool (until Oct 13), with John Major's government hoping to continue its fightback in the polls against the Labour party. However, a shadow has already been cast over it by the defection to Labour of a former education minister, Alan Howarth. Meanwhile, John Redwood, the former Welsh secretary who challenged Mr Major for the leadership, will make several appearances on the conference fringe.

Zedillo visits US

President Ernesto Zedillo of Mexico begins a state visit to Washington (until Oct 11). He is expected to announce the repayment of part of the $20bn emergency US loan package that helped Mexico to avert default on its short-term foreign debt earlier this year.

Strike in France

Public sector unions will hold a one-day strike, affecting the civil service as well as transport and telecommunications. The action by 5.5m employees is a protest against the government's plan to freeze public pay next year in a bid to reduce the budget deficit.

Chemical weapons check

A delegation from the Organisation for the Prohibition of Chemical Weapons arrives in Moscow to discuss the implementation of a 1992 convention banning such weapons. For many years the Soviet Union denied it possessed chemical weapons but when communist power crumbled in 1991 it was revealed the country possessed an extensive arsenal.

The chronic under-funding of large sections of the Russian military has led to fears about the safety of the remaining stockpiles and the destruction programme.

Frankfurt book fair

The 47th annual international book fair opens at Frankfurt (to Oct 15). This year's theme for the book fair, the world's largest, is Austria.

Holidays

Cuba, Japan, Kenya, Taiwan (National Day).

WEDNESDAY 11

MEPs vote on car spares

The European Parliament votes on controversial parliament amendments to draft legislation aimed at harmonising the design protection of car spare parts. The draft law has prompted a row between car spare parts dealers – who want minimum protection – and car manufacturers, who want to protect spare parts from competition for as long as possible.

Saleroom

Christie's holds its annual sale of German and Austrian art in London. Last year it set eight world records. This year, fewer records are expected but most of the big names of 20th-century German art, including Emil Nolde, Alexej Jawlensky, Max Liebermann and Lovis Corinth, are represented, with a top price of about £800,000 ($1.26m) expected for a Nolde flower painting.

Also at Christie's, a gilded copper astrolabe that was made for the Duke of Parma around 1590 by the celebrated Erasmus Habermel of Prague should sell for nearly £500,000 ($790,000). Astrolabes were the computers of their age.

FT Surveys

FT Exporter (UK and continental Europe only).

Holidays

Macedonia.

THURSDAY 12

Anti-nuclear walk ends

A group of international anti-nuclear campaigners arrives in Moscow ending a 10-month protest walk. The campaigners have been calling for a nuclear-free world but seem likely to receive scant attention in Russia. Although Russia has condemned the resumption of French atom bomb tests in the Pacific, the government has shown no inclination to eliminate its still-extensive nuclear arsenal.

Green gathering

Britain's Green party holds its annual conference in Southport (until Oct 15). Weakened by splits and declining membership, the party has been in the political wilderness since its heyday in the late 1980s. However, membership has stabilised and party leaders hope to display a united front. The agenda includes calls for non-violent action against nuclear power and livestock exports.

Holidays

Spain (National Day). Brazil, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Uruguay, and Venezuela have holidays to mark the discovery of America by Christopher Columbus.

FRIDAY 13

Queen on Teesside

The Queen opens the first phase of Samsung's £450m Wynyard Park electronics complex on Teesside in north east England. The complex, which will be Samsung's base for supplying Europe, is the biggest investment in Europe by a Korean company. Production began recently of microwave ovens and computer monitors, with other consumer electronics products to be added.

Albanian president in Italy

Sali Berisha, the president of Albania, starts an official visit to Italy (until Oct 15). Italian companies are the biggest investors in Albania, but relations are clouded by the Albanian government's reluctance to curb a flow of illegal immigrants across the Adriatic.

FT Surveys

International Standards and North-east England.

SATURDAY 14

Non-aligned in Colombia

Colombia hosts the eleventh summit of non-aligned nations (until October 20) and takes over the presidency of the movement for the next three years. According to the foreign ministry, 140 delegations and 52 heads of state have confirmed that they will be in Cartagena for the meeting, straining the city's facilities to the utmost.

Neo-protectionist trade policies, human rights, drug trafficking, migration and the environment are some of the issues on the agenda, in the context of North-South inequalities and co-operation.

Digital TV satellite launch

The age of multi-channel digital television begins symbolically when SES of Luxembourg launches Europe's first all-digital television satellite. Using digital compression technology, when it becomes operational by the end of the year the satellite should be able to transmit about 120 channels over western Europe.

Three further SES digital satellites are to be launched within the next two years – one for back-up – taking the capacity of the system to about 500 digital channels. The SES launch is the latest of a growing trend towards television systems offering between 100 and 150 channels, which usually include near-video-on-demand.

SUNDAY 15

Referendum over Saddam

Iraqis have the novel opportunity of going to the polls today in a referendum for their next president. The only candidate, however, is Saddam Hussein, who has held the presidency since 1979. Nevertheless, the referendum to approve his re-election is the first such vote since the monarchy was toppled in 1958.

It is being interpreted as an attempt by Mr Saddam to widen his power base and justify his legitimacy following the defection in August to Jordan of his son-in-law, Hussein Kamel Hassan, who has vowed to work for the overthrow of Mr Saddam's regime.

Gaullist leadership election

Alain Juppé, the prime minister of France, is the sole candidate for the presidency of the ruling Gaullist RPR party, which is holding its elections in Chessy.

Compiled by Patrick Stiles and Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: As the annual meetings of the International Monetary Fund and World Bank get under way in Washington this week, economists will have a batch of inflation data to watch. The markets expect these will point to a rise – albeit very modest – in inflation in some countries.

UK producer price figures are expected to show some easing in September.

Wednesday: *In Spain,* however, the consumer prices index is likely to have risen slightly in September.

Thursday: Sweden's consumer prices data are also likely to have shown a monthly rise, after falling back in August.

Meanwhile, French consumer price inflation is expected to have risen a little, to 2 per cent in September.

In the UK, analysts believe underlying inflation will rise to 3 per cent, partly because of rising food costs.

Friday: The US consumer price index may show relatively subdued price pressures.

However, the cost of living index in Germany is likely to rise, although there may be fresh signs of weakness in the manufacturing and retail sectors.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Aug mach orders, ex-power/ships*	-3.2%	-6.3%
Oct 9	Japan	Aug mach orders, ex-power/ships**	0.2%	8.7%
	UK	Sep producer price indx input*	0.2%	0.1%
	UK	Sep producer price indx input**	7.6%	8.9%
	UK	Sep producer price indx ouput*	0.2%	0.2%
	UK	Sep producer price indx output**	4.4%	4.4%
	UK	Sep PPI, ex-food, drink, tobacco**	4.8%	5.0%
Tues	US	Johnson Redbook w/e Oct 7	-	1.4%
Oct 10	Canada	Aug motor vehicle sales*	7.9%	-5.73
	Canada	Sep housing starts, units	112,000	106,000
Wed	Spain	Sep consumer price index**	4.4%	4.3%
Oct 11	Spain	Sep M4, annualised*	-	10.6%
	N'lands	Aug producer price indx**	-	2.4%
Thur	US	Sep producer price indx	0.2%	-0.1%
Oct 12	US	Ditto ex-food & energy	0.2%	0.1%
	US	Initial claims w/e Oct 7	-	341,000
	US	State benefits w/e Sep 30	-	2.62m
	US	Sep Atlanta Fed indx	-	1.8
	US	M2 w/e Oct 2	$1.7bn	$0.5bn
	US	Sep monthly M1	unch	-$1.4bn
	US	Sep monthly M2	$13.8bn	$25.7bn
	US	Sep monthly M3	$15.8bn	$30.2bn
	France	Sep consumer price indx prelim*	0.4%	0.4%
	France	Sep consumer price indx prelim**	2.0%	1.9%
	France	July current a/c†	FFr6.0bn	FFr11.0bn

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	UK	Sep retail price indx*	0.3%	0.5%
	UK	Sep retail price indx**	3.7%	3.6%
	UK	Ditto, ex-mortgage int payments**	3.0%	2.9%
	UK	Sep RPIY (ex-indirect taxes)**	2.5%	2.5%
Fri	US	Sep retail sales	0.4%	N/A
Oct 13	US	Sep retail sales ex-auto	0.5%	N/A
	US	Sep consumer price indx	0.2%	0.1%
	US	Ditto ex-food & energy	0.2%	0.2%
	US	Oct Michigan sentiment prelim	-	88.9
	US	Sep real earnings	-	-0.9%
	US	Sep bank credit	-	5.3%
	US	Sep C&I loans	-	3.1%
During the week...				
	Germany	Aug retail sales, real**	-1.0%	-4.0%
	Germany	Aug retail sales*†	-	-2.0%
	Germany	Jul trade balance	DM6.5bn	DM6.5bn
	Germany	Jul current a/c	-DM4.0bn	-DM0.9bn
	Germany	Aug capital a/c	-	-DM3.0bn
	Germany	Aug industrial production, West*	-2.0%	4.0%
	Germany	Aug manufacturing output, West*	-2.0%	4.3%
	Germany	Aug orders, West*	-2.0%	4.6%
	Germany	Sep fnl cost of living, pan-Germany*	-	0.1%
	Germany	Sep fnl cost of living, pan-Germany**	-	1.7%

*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

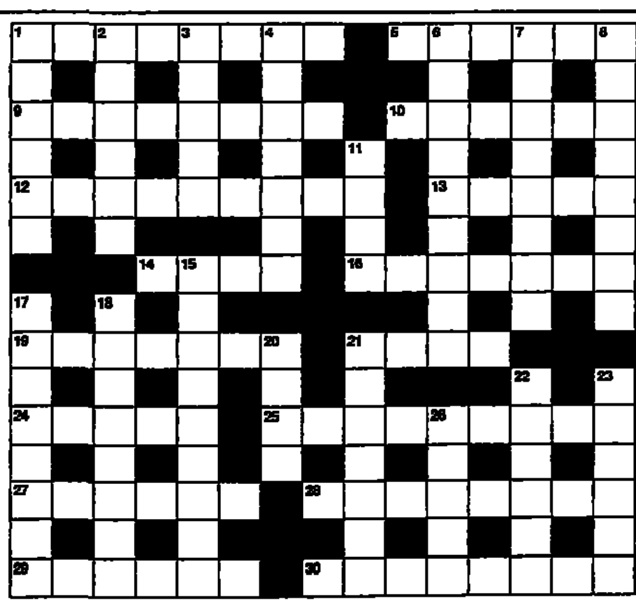
No.8,887 Set by CINCINNUS

ACROSS

1 Brothers importing new wine for youth organisation (8)
5 A fun beginning to get moderately good business (6)
9 Radio set designed for space traveller (8)
10 Church services for the plebs? (6)
12 Bite hazel nuts, girl (9)
13 Not moving yet (5)
14 A fool is told off (4)
16 Tried an odd form of part-exchange (5-2)
19 Help band to go out marauding (7)
21 Bird making rude noise (4)
24 Stop and pass on (5)
25 Region providing China with a rum problem (9)
27 A feast for Tibetan priests – about the beginning of May (6)
28 Weapon with which cat gets a bird? (8)
29 Like Hamlet, holding back in ostentation (6)
30 Writer's mark? Kant is in error (3,5)

DOWN

1 Cup of malt liquor holding about a double (6)
2 I doubt if novel offered more (6)
3 Major opera by Bellini in Milan or Manchester (5)
4 General going out without demanding attention (7)
6 Standard-bearer laying paving stones by Welsh river (9)
7 14 suffered when attacked (8)
8 Sound made when taking stock of others? (8)
11 Bird talk (4)
15 Examinations one entered with ten trained Asians (9)
17 Spotty new clerk given a meal out (6)
18 One who shoots over tree with the French chap (8)
20 Plucky creatures hunted (4)
21 Managed to continue building capital (7)
22 A jolly girl in the fleet (6)
23 Standard family cake (6)
26 Very much out of shape (5)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday October 19, marked Monday Crossword 8,887 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 23. Please allow 28 days for delivery of prizes.

Name..

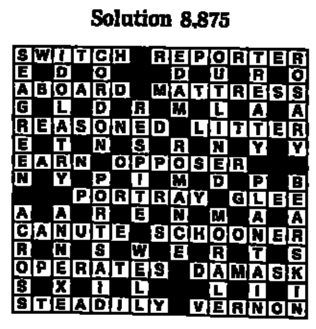
Address..

....

Winners 8,875

J.C. Towle, Sale, Cheshire
Dorothy Aldam, London SW3
A. Fogg, Warwick
J. Matthey, Comberton, Cambridgeshire
W. Oldhams, Salford, Milton Keynes
Jean Tarry, Hawkshaw, Lancashire

Solution 8,875



THIS WEEK

Who's afraid of the IGC?

DATELINE

Brussels: Game, set and match to Britain? Not quite. The big caveat is monetary union, writes Lionel Barber

Europe loves stereotypes. The rational French, masters of the arts of love, diplomacy, and the bonne cuisine. The pragmatic, puritan British, a nation of footsloggers with a perfidious streak. The Germans, tortured souls, whose dream is to turn their country into a richer version of Switzerland.

The same stereotypes *apply to* the balance of power in the EU. Everything is supposedly subordinate to the Bonn-Paris axis which trades German economic strength for French political leadership. Britain must either accept surrender terms or face isolation in Europe.

Euro-philes and Euro-phobes share this fatalistic attitude. Expect the familiar broken record about power-hungry bureaucrats intent on creating a European super*state* at this week's Conservative party conference in Blackpool. Back in Brussels, Sir Roy Denman, former EU ambassador in Washington, predicts gleefully Britain will remain out of the loop for a very long time because of its hostility to a single currency.

*This all-*or-nothing view of Britain's *prospects* in Europe ignores just how fluid the debate about political and economic integration has become in member states. This is true of public opinion in *Denmark*, the Netherlands, and Sweden; but it is above all the case in France.

President Jacques Chirac is doing his *damndest* to disprove German claims that the nation state is an empty shell. His maverick behaviour on nuclear testing, border controls and basic diplomatic etiquette has sent the Germans into a funk, while senior European Commission officials have written off Chirac's first six *months*.

Viewed from Whitehall, the French decision to resume nuclear blasts looks too good to be true; so is the Nordic stampede towards condemnation. Britain has expressed solidarity towards a fellow nuclear power through virtual silence, while *savouring* the *fact that President* Chirac's actions underline how different member states have different foreign policies which cannot be *squeezed into an EU* straitjacket.

France's position ahead of next year's intergovernmental conference (IGC) looks equally mouth*watering to the For*eign Office: more powers to national parliaments rather than the European Parliament to scrutinise EU legislation; a shift in voting weights toward the larger member states; a Gaullist determination to put the European *Commission in its place when it* comes to foreign policy; and a desire to wrap up the IGC well before the March 1998 parliamentary elections.

Yet no one in *London is* betting that a few flirtatious glances from Chirac signals a fundamental shift in French policy. Hence the efforts to *cuddle* up to Germany. Britain is playing on German angst about being Europe's paymaster to press for tighter curbs on EU spend*ing*, and *they are* pushing for a modified Common Agricultural Policy to pave the way for the Union to expand membership to central Europe, a strategic Germany priority.

On defence, the British are insisting that *the Nato alliance - rather than an ill-de*fined European defence force - is the best guarantee of European security and a continuing US military presence. British prudence on defence is also geared toward the EU neutrals – Austria, Finland, Ireland, and Sweden – who fear that they could be frogmarched into a future European army.

It all adds up to a do-nothing, or do-next-to-nothing *IGC*. But *just in case Chancel*lor Kohl has other ideas, the British point out that any new Euro-treaty emerging from the IGC will require ratification in the member states. At least six countries – Austria, Denmark, Finland, France, Ireland, Sweden – are expected to hold *referendums; Britain and Germany* will insist on lengthy parliamentary scrutiny. At best, the forecasts is for delay; at worst, a Danish-style upset as occurred during Maastricht ratification.

Game, set and match to Britain? Not quite. The big caveat is monetary union. *Even the most devious minds in Whitehall* have grasped that if Emu goes ahead in 1998/89, all bets are off. To use a chess analogy, the French and Germans could decide to swap pieces rather than pawns at the IGC, resurrecting the French idea in the Maastricht negotiations of trading joint control of *the force de frappe* with joint control of a Euro-currency. The British, who cannot make up their minds about Emu, risk, once again, being left on the side-lines.

All of which makes last weekend's meeting of EU finance ministers and central bankers on monetary *union* in Valencia even more interesting. According to the accounts of several present, Kenneth Clarke, chancellor, made a stunningly positive contribution in clearing away technical obstacles to the passage to a single currency. At one point, he out-argued *Hans Tietmeyer, president of the* Bundesbank, sending the French delegation swooning in admiration.

Emu may never happen. The economic obstacles are formidable, and the project is potentially divisive in the extreme. But Clarke has grasped an essential truth: the *successful pursuit* of British national interests depends on the degree of British involvement in Europe. To march home singing a tune of "Europe's going our way, but we're not going to play along anyway" is a recipe for failure.

FT GUIDE TO
THE IMF

So the World Bank and International Monetary Fund are meeting in Washington this week. I have a rough idea of what the World Bank is for – helping poor countries *get less poor* - but what does the IMF do?

It depends who you ask. John Maynard Keynes, who helped invent the IMF at the 1944 Bretton Woods Conference, *would* say that it preserved the stability of the world financial system. The Fund, like so much of the so-called Bretton Woods System, is a child of the "never again" generation. In the 1930s, countries had responded to international balance of payments difficulties through trade wars and competitive devaluations, which then spiralled into a complete breakdown in world capital and goods markets. The IMF's job was to prevent this from recurring. It would *promote international* trade by overseeing a system of fixed, but adjustable, exchange rates and by encouraging wider current account convertibility. The rest would be trouble-shooting: trying to nip impending financial crises in the bud by providing very short-term, strings-attached loans to member countries who could not pay their import bills.

So much for the history. What does it do

That's a bit trickier. The trouble is that, 50 years on, its founding principles look a little, well, dated. The Bretton Woods system of fixed but adjustable exchange rates is long gone. Meanwhile, the liberalisation of world capital markets since the early-1970s means that developed countries, at least, can usu*ally get all the liquidity* they need from the private sector rather than the IMF.

Sounds like its job is over.

Don't let Michel Camdessus, the Fund's current director, hear you say that. He says that the last 15 years show that a "globalised" world financial system, with floating exchange rates, needs even more supervision. For instance, everyone would like to *see more international* monetary co-operation to prevent nasty swings in the value of major currencies. Who better to lead such a co-operation effort, asks Camdessus, than the IMF?

As for all those private sector lenders, where were *they* when the developing countries needed them in the early-1980s debt crises, or more recently when eastern Europe and the former Soviet Union needed support to underpin the early stages of eco*nomic* reform? *The IMF* has busied itself lending to all these troubled groups of countries – on condition that they follow the Fund's economic prescriptions. Last year alone the Fund's loan commitments hit a record $23bn.(£14.8bn).

And I suppose there was Mexico...

I was just coming to that. Another triumph, at least in Camdessus's book. Between them, he and the US treasury saved Mexico from an imminent default on its dollar denominated debt in the wake of the December devaluation of the peso. Of course, the last-minute $40-odd billion international loan package – $17.8bn of it from the IMF – put a strain on the budget. All-told, the loans to Mexico, Argentina, Russia and Ukraine have *cut the Fund's liquidity* by a quarter over the past financial year.

The lesson being?

That the IMF's surveillance and trouble-shooting abilities are badly needed in emerg*ing markets. And that the IMF will need* more resources to do either job effectively. At least, that is the view of Camdessus. In the next few years he would like members to agree another increase in the "quotas", or subscriptions, they pay in to the Fund. In the shorter term, he would like to increase its room for manoeuvre through a new issue of "special drawing rights" – the IMF's internal currency basket – or, failing that, an expansion of the General Arrangements to Borrow, the IMF's $29bn credit line with some of the richer members.

Is he likely to get any of this new money? I don't get the impression that others are so enthusiastic.

To put it mildly. No-one seems to think that the IMF could make a better hash of smoothing exchange rate movements among the main industrial countries than the governments themselves. As for all that lending during the 1980s and early-1990s – well, some of the larger shareholders are not sure it was such a good idea. Many of the poorest countries were not in a fit state to pay back their loans – they simply exchanged one kind of debt crisis for another. The IMF has moved to making longer term, "structural adjustment", loans. But that just gets it into World Bank territory, argue many economists.

What about future Mexicos?

There are fewer worries about using the *IMF* to try to prevent and, possibly, manage future emerging market crises. But hardly any of the members think that Mexico provides a model for the future. A better early *warning system, for one thing, might have* been desirable. And most doubt whether the IMF could have bailed out investors on such a grand scale in any other emerging market - indeed, whether this would even be desirable, given it might simply encourage a wave of "no fault" lending to uncreditworthy countries.

Are we going to see a showdown this week between Camdessus and the major shareholders over the *IMF's future*?

Nothing so glamorous. The Board has agreed a new set of standards governing the quality of member countries' statistics, which the members will trumpet as a guard against Mexican-style surprises. On the funding side, for the moment at least, Camdessus is keeping quiet on the subject of new SDR issue, and he is not likely to get much further towards an increase in members' quotas. But an expansion in the GAB does seem to be on the cards – the only possible glitch would be disagreements over who should contribute, and on what terms. As for the rest of the Bretton Woods' Golden Anniversary agenda, *it* will be smiles all round, and much talk of "work in progress".

Business as usual, then. Makes you wonder how Keynes et al managed to get the whole thing started in the space of one conference. The mind boggles.

Stephanie Flanders

Neon lights: *Jacob Tierney, Gena Rowlands and Diana Scarwid*

FILM/VIDEO

■ Despite rumours that slave trafficking is dead, dozens of British actors and directors seem to be kidnapped each year and taken to America. How else explain films like *The Neon Bible* and the Ben Kingsley-starring creature feature *Species*?

The latter bristles with shrieks and special FX. Girl escapes top-secret Utah laboratory run by Mr K and finds herself turning into – but we cannot reveal the secret. We can only say that it is no more disturbing than the sight and sound of ex-Shakespearean Kingsley turning into a drawling midwestern *scientist*.

□ **More shocking still, if oddly hypnotic, is *The Neon Bible*. Director Terence Davies made two dazzling childhood self-portraits set in Liverpool, *Distant Voices, Still Lives* and *The Long Day Closes*. Soon after, he must have been slung in the back of a slaving ship to make this transplanted memory movie about an Alabama childhood, based on John Kennedy Toole's autobiographical novel.**

There are lashings of visual poetry, from star-speckled skies to ghost-like trees to a camera subtly swooping around the cast, led by resplendent Gena Rowlands. But this Deep South is finally a little over-precious and over-Gothicked: it seems the product of a gifted tourist's eye rather than an insider's perception.

■ Best turn to the revivalist events. Sam Peckinpah's *The Wild Bunch* – the last great Western, made by Americans, about Americans, for the whole world – opens in a 2½ hour version. And the Barbican's important new African season *sweeps across a continent's cinema* from A for Algeria to Z for Zaire.

□ **The week's best video releases are golden and olden. Louis Malle's *Atlantic City* (1980) has love, death and Burt Lancaster. Bette Davis in *All About Eve* (1950) redefined high wit and high camp for a generation. And Antonioni's *The Eclipse* (1962) has the most extraordinary ending – experience it for yourself – in modern cinema.**

Nigel Andrews

Species: Whip Hubley kisses Natasha Henstridge. She then turns out to be a deady alien lifeform and grabs him

MUSIC

■ It was inevitable, in the light of the Three Tenors syndrome, that opera's next bright hope would bear the dubious distinction of being hailed as the the Fourth Man. Roberto Alagna, French-born of Sicilian parents, is currently the most convincing claimant to the title. *Popular Tenor Arias* (EMI) is a light work-out which reveals little we don't know already; that his elegant voice can handle the standard repertoire with smooth distinction, and that it is best heard in Alagna's native language – Bizet's "La fleur que tu m'avais jetée" is deliciously sung.

□ **Going down an octave or two, Bryn Terfel is fast becoming the First Man of the bass-baritone *repertoire. Not yet 30*, he shows an extraordinary interpretative maturity in *Impressions*, a new collection of arias and Lieder on Deutsche Grammophon. Terfel is equally at ease with Mahler's *Kindertotenlieder* as with the arias from *The Marriage of Figaro* which open the record. Schubert, Wagner and Vaughan Williams also get an airing on this fine disc.**

■ The Artist Who Formerly Made Great Records, thenceforth Prince, has made a partial return to form with *The Gold Experience* (Warner Brothers). There is no breaking of new boundaries, but plenty of solid funk and the usual mix of aren't-I-naughty soft-porn lyrics and sickly sentimentalism, as on the turgid single "The Most Beautiful Girl in the World". He is going to have to do better to match the influence he had in the 1980s, but the rot has stopped, at least.

Peter Aspden

PEOPLE

Derek Roberts (right) and David Anderson who takes over the top job next April   Picture: Joan Russell/Guzelian

Independent Yorkshire

Alison Smith on the society's strategy and hierarchy

Yorkshire Building Society is determined not to join the increasing rush by *societies* to become banks. If it succeeds, it will be largely down to the determination of Derek Roberts, its chief executive since 1987, to defend its existing brand.

"We could not be Yorkshire Bank, because there is one already, we would not be allowed to be Yorkshire Building Society plc, and it is inconceivable we could simply be Yorkshire plc," *is his line*.

Last week Roberts underpinned the strategy of the UK's tenth largest building society to remain independent and mutual – owned by its savers and borrowers rather than a separate class of institutional shareholders. He *announced* that from next year it would no longer seek to increase its reserve ratio, and would return surplus profits to customers by offering keener rates.

Just two days later, Roberts produced his second surprise: the news that he would stand *down as chief* executive at the end of April next year and would be succeeded by David Anderson, *head of corporate* development.

In both cases, the surprise was in *the timing* and detail rather than the decision itself. Yorkshire had trailed the idea that it would provide specific benefits for members, and Anderson (39) had been a prospective chief executive since he joined in 1987 from PA Management Consultants.

Any lingering doubts about whether he was the heir apparent were dispelled this spring when he spent three months at Harvard – *as* Roberts had done some years earlier. Roberts says he decided to stop being a chief executive *although* at 62 he could well have continued for some years, because *he strongly* believes no one should stay in a position of leadership for more than 10 years.

"In large organisations, the system starts to anticipate the thinking of the one at the top, and this *can hold* back creative *thinking*," he says. "I often cite Mrs Thatcher as a case in point."

By setting the change of direction before *his impending departure* – though he will return as non-executive chairman in 1997 – Roberts has left his mark on the society for some period after he goes. But *it is* Anderson's strategy too.

He does not envisage vast differ*ences* at the Yorkshire once he takes over. "Our new vision for the future means that some of the measures of success have changed and that means that reward systems throughout the society will have to change.

"*The formula* here has worked pretty well, and I want to keep the tight control and attention to detail that we have," he says, "but the style may be less formal."

That formula has worked well enough for Yorkshire to be able to hold out to *members the prospects* of continuing benefits from remaining mutual that some other societ*ies* with the same aim may well envy. Customers are much more aware than they used to be of the handout worth a few hundred pounds that is on offer when a *society* becomes a plc.

Yorkshire is offering them a cut of 0.14 *percentage points* in the society's mortgage rate to 7.85 per cent, and an increase to a minimum of 2.75 per cent on its savings accounts, no matter how low the balances.

The £20m ($31m) Yorkshire's scheme *will cost* next year is avail*able not just – or perhaps at all –* because the society does not have to pay dividends, but because its expenses to assets ratio is one of the lowest of the larger societies and it has a strong balance sheet.

This sound financial position has won the Yorkshire respect from its rivals, but some competitors are not persuaded by its strategy of concentrating on the core business when the home loans market is both so flat and so competitive.

Undeterred, the society took a further step in pursuing that focus last *month, when it announced it* would cease selling financial services because the cost of giving independent advice was too high.

Ironically, Roberts had come from Royal Insurance to the Yorkshire's predecessor in 1972 because he saw *the opportunity for the society in* selling endowment mortgages. Equally, he left Royal, he says, "because I couldn't stand working with actuaries – who are full of brains but as a general rule do not have much common sense".

Roberts acknowledges that the mortgage market is a mature one, but says it will be there for the *foreseeable future* and the society can win a bigger share by offering competitive rates.

He talks about the need to communicate to customers that these better rates flow from the society's remaining mutually-owned, but is *not so attached to the concept of* mutuality that he envisages the survival of smaller, inefficient societies.

"In my view, the 'niche' for local societies that people have talked about does not exist," he says. He looks likely to leave the Yorkshire better-placed than many mortgage lenders to weather the chill winds *of competition out* in the open.

NAMES IN THE NEWS

Greenberg pops back up where he started from

Jeffrey Greenberg, bearer of the most famous surname in US insurance, re-emerged last week – at Marsh & McLennan, where he began his career, writes Richard Waters in New York.

Until his surprise resignation in June, Greenberg had seemed destined to succeed his father, "Hank" Greenberg, the legendary chairman of American International Group. Now 70, the elder Greenberg's firm grip on AIG shows no signs of loosening.

***The younger Greenberg*, 44, remains coy about his split with his father, though he insists they did not fall out. Of his move, he will only say: "I considered it for a long period of time. It was not a decision I took lightly."**

At Marsh & McLennan Risk Capital, an arm of the US broking and financial services group, Greenberg is likely to be in one of the more exciting corners of the insurance world over the next couple of years. The company, which controls two investment *funds*, has around $900m (£581m) on hand to back its view that now is a good time to buy or start up insurance ventures.

Greenberg's skills are a timely addition. As a former head of AIG's property/casualty business in the US, *he brings knowledge and* management experience about one of the most troubled areas of the insurance markets. It is here where many of the buy-out opportunities are likely to arise – as insurance giant Aetna attested a week ago *when it said it may sell its own* property/casualty unit.

Robert Clemens, the head of Marsh & McLennan Risk Capital, refuses to say whether he has his eye on Aetna. But he adds: "Aetna is the kind of insurance company that Jeff Greenberg's background and skills suit us for."

Prada benefits from musical chairs

Eyebrows were raised in Paris last week by three senior job changes – which appeared to be closely linked – *in the financial parts of the* French administration, writes Andrew Jack in Paris.

In one development, Michel Prada, currently chairman of the Crédits d'Equipment des PME, a state-backed institution providing loans to small and medium-sized companies, took the job of chairman of the Commission des Opérations de Bourse (COB), the markets watchdog.

But the COB move appears closely related to a swap in two *other positions; that of the director* of the French treasury, the other being the head of the private office of Jean Arthuis, the finance and economics minister.

Arthuis took over his job in place of Alain Madelin, the outspoken economic liberal who was forced to resign in August by Alain Juppé, the prime minister. In doing so, Arthuis was saddled with Jean *Lemierre, a directeur de cabinet* with whom he was suspected to have had serious disagreements.

It appears that Arthuis wished to move *Lemierre to the chair of the* COB at the end of the six-year non-renewable term of Jean Saint-Geours, which falls this month. The appointment of Prada to the COB has prevented that, but Arthuis nevertheless seems to have got his way, with Lemierre taking the place of Christian Noyer as head of the treasury, while Noyer gets Lemierre's old – and rather *less prestigious – job*.

Levene smooths the way for Reichmann

When Sir Peter Levene took over as chairman and chief executive of Canary Wharf two years ago, he arrived with a reputation for tough talking and not being afraid to ruffle feathers, writes Simon London.

These attributes must have attracted the banks which offered him the job. The large office development in London's docklands had only just emerged from administration. The majority of the space was empty. Canary Wharf had become a byword for the worst excesses of the property market.

The change in fortunes and public perceptions of Canary Wharf – culminating in its £800m acquisition last week by a consortium led by Paul Reichmann, the Canadian who masterminded its development – owes a a lot to Sir Peter's presence.

His promotion of Canary Wharf to potential tenants is, by all accounts, forceful. He has also mounted a robust public relations campaign against the wide perception of the place as wind-swept and remote.

Although he played little part in the negotiations between the banks and the Reichmann consortium, the signs are that Canary Wharf's new owners recognise Sir Peter's contribution. Nothing will be decided until the acquisition is completed in December, but he is likely to remain in place, along with the rest of the management team.

His services do not come cheap. *Canary Wharf's last published* accounts show that he drew a total emolument of £536,000 in the year to October 1994.

MANAGEMENT

Peter Marsh describes how a company reinvented its culture to create a range of furniture suitable for flexible working

Turning the tables in office design

How does an ugly duckling of the industrial world turn into a swan? The question cropped up for President, a UK-based, Danish-owned office furniture company, after it decided five years ago to reshape its production operations and commit itself to a new culture of design.

"President was a worthy, middle-of-the road company willing to undergo a revolution," says Ben Fether, director of FM Design, a design consultancy which worked with President on the scheme and whose earlier design projects have ranged from trains for SNCF, the French rail operator, to children's beakers for Premark, the US company that sells Tupperware.

In a project that has a host of lessons for other medium-sized companies set on radical changes, President spent £9m altering its factory and designing a range of furniture called Kyo that fits in with the switch to flexible office working and use of new technologies.

President is part of the Skandinavisk furniture group which owns companies in Germany, France, the Netherlands, Denmark and the Czech Republic, with annual sales of about £200m.

Fether says President's feat in developing Kyo was all the more impressive for it having had "no track record" in design. "It's amazing that they have adapted in one leap," he says.

The Hertfordshire-based company has done this with no significant management changes, but with the aid of four UK sub-contracting "partners" which have introduced President to the skills in plastics and metal forming which it needed for the new family of furniture.

Only now going into volume production, Kyo has won plaudits from the \$8bn-a-year (£5bn) office furniture industry in the US – which President thinks is the biggest potential market for the product.

According to Grant Seltzer, proprietor of Jules Seltzer, an office furniture dealer in Los Angeles, in designing Kyo the UK company has snatched an important design lead on much bigger US furniture companies such as Herman Miller, Steelcase and Haworth.

"A lot of office design companies have paid lip service to the new concepts [of flexible working] but Kyo has gone a stage further," says Steve Marnoy, president of Office Pavilion, a furniture showroom in Houston, Texas.

Jules Seltzer and Office Pavilion are among 10 dealers around the US that President has signed up to sell Kyo after a marketing blitz this spring.

President believes that Kyo could help it during the next five years to double its £25m-a-year turnover, with most of the growth coming from exports – which now account for only about 5 per cent of President's sales.

Behind Kyo's development was President's analysis of its own design and production weaknesses, and its interest in coming up with a new product that combined stylish design with addressing the needs of modern office workers.

"We realised a lot of our products were staid. The world was changing and we couldn't rely on our old way of doing things," says John Sacks, President's managing director, who has been with the company for 28 years. The programme that emerged had four main parts, the most important of which concerned the design for Kyo – which is Japanese for "today".

According to David Barker, President's chief designer, in the UK companies spend £1bn a year – 50 per cent more than their total capital outlay on office furniture – in moving desks, tables and screens around to suit changes in office layout. The figure is likely to grow as more companies shift to flexible work patterns – involving frequent switching of managers between different jobs and interaction with teams of workers assembled for short periods for specific tasks.

"We saw there was an opportunity to do something radical and at the same time fit the needs of the market," says Colin Watson, President's marketing director.

Fitting this design specification, Kyo is a "modular" array of 35 desks, tables, office screens, filing units and cupboards. Layouts can be changed within minutes to suit a range of office patterns. For instance, the storage units are made largely of plastic and can fold up like concertinas for transportation into lifts and to different parts of a building.

The different pieces of furniture have special features – such as adjustable metal legs for tables and desks, and plastic conduits for electric cables – to make them suited to open-plan offices in companies in fast-moving areas such as research and development, consultancy or advertising where staff are continually shifting focus.

The takeover of President (along with the rest of Arenson, a UK-based furniture company which owned it) by Skandinavisk in 1987 was an important backcloth to the Kyo project. As part of the Danish group, President gained access, for the first time, to new production and design ideas from continental Europe.

In 1990, in an exercise that led ultimately to Kyo and can be thought of as the start of the project, President collaborated with its Skandinavisk sister companies in a joint design exercise aimed at creating a pan-European furniture range. Even though this petered out in the early 1990s, some of the European design ideas have lived on in the Kyo style – contributing to the sleek "Scandinavian" look which contrasts with conventional heavy-looking UK office furniture. Total costs of developing Kyo, including tooling and marketing, are put at £2m.

A second part of the Kyo development involved enlisting suppliers to help with the new materials in Kyo. In President's five or so conventional furniture ranges, up to 90 per cent of the components are wood. For Kyo, the figure is about 15 per cent, with the rest being mainly metal and plastic.

The four "Kyo partners" with which President formed special relationships have not just provided parts for Kyo but helped with the design – aided by their experience in a range of other industries.

"They [President] listened to us early enough to avoid some potential design pitfalls," says John Newbold, sales manager at Taylor Engineering and Plastics, of Rochdale, Lancashire – a Kyo partner which makes most of the plastic parts for the cupboards and other storage parts of the range. Taylor's main activity is making plastic banking terminals for AT&T, the US telecommunications company.

Calum McPherson, managing director of Ayr-based Johnstone Castings and Engineering, a Kyo partner which is supplying specialist metal castings for the furniture, praises President for the "open-mindedness" with which it embraced new production ideas. President capitalised on Johnstone's skills in making components for goods as diverse as hi-fi systems, fork-lift trucks and lighting.

The furniture company also picked up ideas from Huntingdon-based RGE Engineering, a plastics specialist which makes parts for Hotpoint washing machines. The fourth supplier – and the only one which made parts for President prior to two years ago – was Steelware Products, which is in Bodmin, Cornwall, and makes metal frames for the tables and similar products in the Kyo family.

A third important aspect to the Kyo programme was the company's revamp of its St Albans factory, helped by a review by PA management consultants. Increases in production efficiencies were vital for the company to gain the maximum commercial benefits from the Kyo design.

Since 1990, the company has spent £7m on new production equipment, including computer controlled machines, and re-thought its production processes. President now takes an average of two minutes to switch a machine tool to cut or otherwise shape a piece of wood, rather than 45 minutes five years ago. The extra flexibility this provides – with similar changes in assembly operations – means President has cut its inventory of unsold products and stocks, and can react more quickly to customers' demands. Today it despatches a typical order in two weeks, rather than four months in 1990.

The fourth element was President's setting up this year in Texas of a wholly-owned US subsidiary, Kyo Corporation, headed by Craig Mayer, a former executive with Hon Industries, a big US furniture company. Mayer was recruited after he visited the UK to view Kyo. "Although I hadn't expected very much, the design was a revelation; I was bitten by the Kyo bug," Mayer says.

Even though President is highly optimistic about Kyo, some problems lie ahead – particularly on sales and marketing. As well as the US it sees the rest of Europe – particularly Germany, which accounts for about a fifth of the £6bn a year European office furniture market – as another important place to sell Kyo.

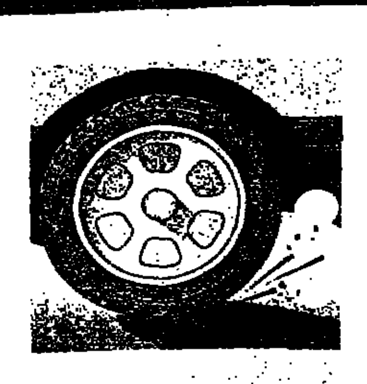
In theory, the easiest way to set up a marketing network through continental Europe would be to interest the other Skandinavisk companies in selling Kyo. But none of the other companies, notably Vario in Germany, Labofa in Denmark and Vinco in France, has been keen.

Rainer Albrecht, Vario's sales manager, says he has "no plans" to sell Kyo. "John Sacks has done a good job with Kyo but we have four other ranges of furniture to sell," he adds. Sacks says: "The other [Skandinavisk] companies are run by people who think their own products are the best." The lack of co-operation means that, for Kyo to make progress on the Continent, President will have to establish its own marketing arrangements, which will take time and money.

A second problem concerns whether President can master the necessary marketing knowledge to sell the product to businesses in relatively new industries in areas such as advertising and consultancy which are seen as the main potential customers for Kyo. "Selling to these kinds of businesses requires skills where President has still to prove itself," says Jonathan Reed-Lethbridge, a furniture expert at DEGW, a London architectural consultancy.

Third, there are specific question marks over the company's plans for the US. Here President faces formidable competition from much bigger companies, such as Herman Miller, which are expected soon to come out with their own designs for "flexible" office furniture. Also, it has to contend with the logistical problems of shipping assembled furniture from the UK to a warehouse on the US's east coast and from there to customers around the country. Michael Wolf, editor of *Monday Morning Quarterback*, a Chicago-based newsletter for the US furniture trade, cautions: "Lots of European companies have tried to take a slice out of the US market and ended up with arrows in the backside."

Mayer, however, remains confident that, after a tour of 35 potential customers around the US earlier this year to show prototype designs, "customer interest is very high". He says that – looking to the possibility of US sales taking off – President is even talking about the potential for setting up assembly operations for Kyo in North America in the next few years.



FAST TRACK

Polar Electro

You can tell Seppo Säynäjäkangas is serious about his company's growth.

When he presents a five-year profits profile of Polar Electro it is a look forward from 1995 not backwards. And his slide show manages to include the names of all the world's most famous brands – company he clearly aspires to join one day.

If this sets your heart racing, Säynäjäkangas has just the thing for you. His Finnish company is the world's leading manufacturer of heart rate monitors for athletes, fitness fanatics, weight watchers and stress sufferers. It has sales in 40 countries and an estimated world market share of 80 per cent.

The professor is a rare Nordic combination of academic, entrepreneur and self-made man and the name of his company aptly combines a sense of its location on the edge of the Arctic circle with a flavour of its business concept.

He had the idea for the heart monitor whilst skiing in 1976, basing the project on knowledge he acquired during years of research and development at the electronics faculty of Finland's Oulu university. Polar Electro was founded in 1977, and the professor is the majority shareholder and chairman.

The monitor consists of two parts: a heart rate transmitter worn on a belt around the chest and a watch-like monitor worn on the wrist. Initially, the pitch was to professional athletes, but it has been broadened to include joggers, mountaineers, dancers – indeed anyone who exercises and cares about its impact on them. The two main customer groups are 15- to 20-year-olds and 30- to 50-year-olds.

Säynäjäkangas says the main challenge is to convince people that his devices are tools to monitor and maintain health. Hence the marketing emphasis is on "wellness" not just fitness. The aim is eventually to develop new products capable, for example, of monitoring blood pressure.

Säynäjäkangas says: "A big change is under way. We don't have the money to invest more in hospitals. In future people will have to take care of themselves."

The heart monitoring business has grown by 50 to 60 per cent a year over the last 10 years, and is the biggest contributor to expected annual turnover of around FM550m (£81m) in 1995, double last year's FM270m.

The group is also building up its operations in other areas – including mass transport and data communications – in an attempt to exploit its wireless expertise more fully. It has a total of 10 subsidiaries and six partly owned companies and employs 600 people. One promising prospect is Buscom, a company specialising in a smart card-based fare collection system on buses.

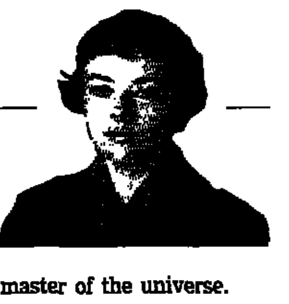
Heart monitoring will be the main growth area, at least in the next five years. The aim is to push the company's turnover through the FM1bn mark in 1997 and past FM2bn in 1999.

If these targets are met, they will not be the only testament to Säynäjäkangas's success. He has been made the first professor of entrepreneurship at Oulu University in the hope that he can encourage others to follow his example.

Christopher Brown-Humes

Bad case of telephone gambling

LUCY KELLAWAY



Now that the OJ Simpson trial is over, I have been seeking diversion in the reports of the rather more arcane case of *Bankers Trust vs Procter & Gamble*. Last week the story hotted up with the release of recorded phone conversations in the dealing room. "What a bank can do [for its clients] is get in the middle and rip them off," said one trader. "Funny business you know – lure people in that calm and then just totally f*** them," another replied.

These remarks look bad; very bad indeed. Yet anyone who has ever worked in a bank dealing room will tell you that a milder version of this sort of thing goes on all the time. Traders are encouraged to make as much money as they can. It is part of their skill to know how much profit they can make out of each client or, to put it another way, how much they can rip them off without losing their custom.

Being loud-mouthed sort of people, they then exaggerate and boast about what they have done. Most of this stops far short of the kind of cheating, lying and exploitation of which P&G has accused Bankers Trust, but there are similarities.

When I worked for a bank 13 years ago leveraged derivatives did not exist, so there was no question of whether the corporate client understood what it was buying. Instead, we made it our business to know which clients had Reuters screens, and which were likely to be seeking simultaneous quotes from other banks. We then pitched our price accordingly. This also sounds bad, but I wonder if it is really any worse than what is grandly known as differential pricing.

To the outsider it might also seem staggering that senior traders were so bone-headed as to talk in that way on the phone when they knew that every word was being recorded. Yet in practice the tapes are seldom listened to, so it is easy to become careless.

I remember an awful day when a dispute arose with a client over the price at which a deal had been struck, and all the phone tapes for that afternoon where to be examined. I was horrified as I had spent the slack hours (of which there were many) in idle gossip with friends. I need not have worried; the recording equipment was so primitive that there was no way of knowing who was talking or what they were saying, let alone what prices they were dealing at.

Thirteen years is an eternity in dealing room history. Nowadays, the sums are greater, the business infinitely more complex and the phones work. But the BT tapes show the culture is still the same: the other party is a creep and you are the master of the universe.

I have just received a fax from a consultant acquaintance telling me about an experience he has recently had in a French hotel. Relaxing in his room after a trying day of meetings, he helped himself to a beer from the minibar, only to discover that the bottle was full of water. When he complained, a weary hotel manager said it happens all the time. Hotel guests – most of whom are business travellers – have discovered a way of beating the system. They take the lid off carefully, drink the beer, fill it up from the tap, and put it back in the minibar.

I am not sure what to make of this trend. Could it be that businesses are so strapped for cash they are no longer paying the minibar bills of their staff? Even so, it is hard to believe that businessmen (business*women* would surely never do such a thing) can't afford to pay for their own beer.

Hoping for enlightenment, I have looked up a survey on business morality in the latest issue of *Ventures* magazine. It does not specifically mention beer bottles, but shows a mass willingness to cheat, at least in certain areas. If the survey is to be believed, some 53 per cent of people running small businesses would deceive insurance companies, and a similar number would lie to bank managers in order to get a loan. Yet these people are not out-and-out wicked – most would take a 10 per cent pay cut themselves in order to save employees' jobs, and would also lend an employee £1,000 to stop their house being repossessed.

However, the most revealing part is their attitude towards Monopoly, at which many confess to being rampant swindlers. This shows imagination and initiative. I had always thought the board game Monopoly depended on the throw of the dice, and that short of stealing money from the bank cheating was impossible. But then I did not think you could put the lid back on a beer bottle either.

Further to my piece last week on overwork, a consultant has written to me complaining that I missed the point. The problem is not the number of hours worked, he said, but that people do not understand the value adding process. To clarify this insight he included a diagram consisting of a large square bearing the words Reactive Zone with a smaller square inside saying Add Value Zone. Everything is clear now. I stand corrected.

BUSINESS EDUCATION

Individuals must take responsibility for their careers, says **Tim Dickson**

Seize the initiative

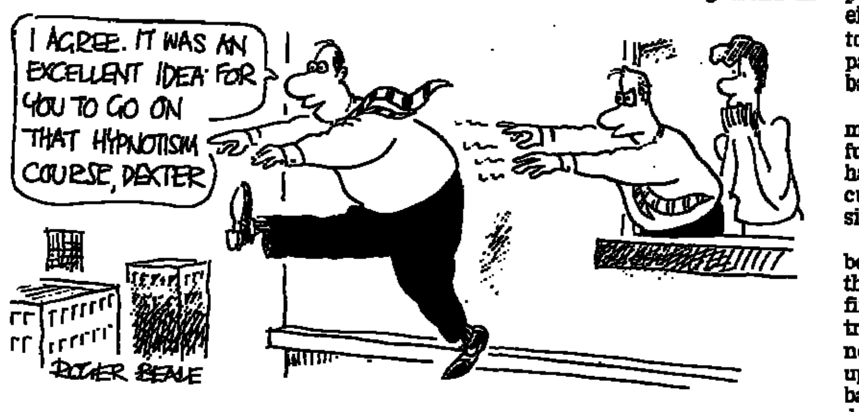
If you're waiting for a friendly call from personnel or human resources inviting you to sign up for the next management course, forget it.

The move to "life-long learning" may be gathering pace as companies seek to develop appropriate competences, more "soft" skills and effective team working in their staff. But individuals and line managers are increasingly expected to take the initiative and to decide when and where it should happen themselves.

Striking new evidence about this process has just been provided by Cranfield University's School of Management. The school surveyed more than 200 participants from "open" management programmes it ran in October and November last year and found that 70 per cent of delegates were involved in choosing the course themselves; 22 per cent did so without recourse to anyone else. The purchasing decision was ultimately approved by the individual's line manager in 35 per cent of cases, with personnel and training departments responsible for a 29 per cent share, other directors 12 per cent and the "finance function" 2 per cent.

Separate research by Cranfield of HR managers in Europe not only confirms these findings but demonstrates that this is not merely a British phenomenon. Primary responsibility for big policy decisions on training and development, the school found, is seldom vested exclusively with line managers. But there is a strong "line" input in most European countries, notably Germany, Ireland, the UK and the Netherlands.

The HR survey showed that the amount of responsibility taken by line managers for training and development increased over the last three years in 48 per cent of UK organisations polled, by 63 per cent in Sweden and by 45 per cent and 30 per cent respectively in Switzerland and Germany.



John Varley, a senior field operations manager in Scotland with BT, is typical of the new manager who takes responsibility for his own career. Three years ago Varley approached BT's executive development team (part of the personnel department) for help with choosing a course – he then had to "sell" the concept of a 10-week executive development programme at IMD in Switzerland to line management, which controlled the budget.

BT introduced a performance and development framework for managers and professionals at all levels in 1993. It has recently been refined to help users better recognise potential and identify development needs.

The new decision-making trend in management development presents a clear marketing challenge for business schools selling themselves as external providers. But it also says something about the growing preference in many big companies for competence development to take place at a local level, as close as possible to the workplace.

"What I see happening more and more," says Bob Campany, head of management training at Shell International Petroleum Company, "are team building exercises involving people who will be working together in future."

He sees clear advantages in having most of management development done in individual business units as it is easier to apply the learning points in practice."The problem with sending people away on open programmes, either run centrally or outside, is how to capture what they have learnt and pass it on to others when they come back."

In addition to the traditional performance appraisal and objective-setting functions, he explains, line managers have had to become increasingly preoccupied with developing the "professional competences" of their staff.

"They are required to identify the gap between the needs of the business and the professionalism of their team, and find ways of filling it. The closer the training to the workplace the better, not least because this fits in with upward appraisal and '360 degree feedback'. Feedback can be a very useful development tool."

Campany believes there are some issues, like strategy, which are better addressed on a corporate basis, or by an external course provider. These, he points out, can give a wider view and external contacts. "Even change management, though, is as likely to be treated on a local basis these days, such are the rapid changes taking place in all organisations."

NEWS FROM CAMPUS

A starting point for an MBA career

One of the big questions for many MBA students is who will employ them once the course is completed. For those who want to consider the question before sending in their application forms, the autumn edition of the MBA Career Guide could prove a helpful starting point.

The guide includes a section which shows the top 10 employers for graduates from business schools in the US and Europe. The list of employers varies widely, depending on whether the institution is considered one of the top international management schools – attracting international companies – or whether it is a regional centre, attracting more local employers.

The guide also includes charts analysing the different schools – such as the number of applicants per place, the languages required and the tuition fees.

Tel: UK, (0)171 284 4687.

Business award for graduate

The prize for the best MBA project from the UK's business schools has been won by Maren Wittmann, an executive search consultant with the German company Egon Zehnder.

Wittmann, an Ashridge MBA graduate, beat students from 19 other business schools to win the Business Education Teachers Association MBA prize. Her project centred on product development for her executive recruitment company.

US management skills find home in Taiwan

While high-technology companies in Taiwan are exporting gadgets to the US, American business schools are reversing the trend and exporting management skills to Taiwan.

The University of Tennessee College of Business at Knoxville has designed a curriculum for Taiwanese executives similar to the one the school offers in the US. Launched earlier this year, the MBA programme has found favour with executives from Motorola in China and Rexon, which produces many of Black & Decker's power tools.

The 18-month course includes residential periods in Taiwan and a visit to the US at the end of the course.

Although the course modules studied by the Taiwanese executives are similar to those studied by their counterparts in Tennessee, their response is often very different, says Patricia Postma, director of the programme. "Their level of preparation far exceeded our expectations, both before the course began and during the course."

UT College of Business: US. (615) 974 6375.

Helping hand with development

The Institute of Management has launched its policy on professional education to help its 70,000 UK members take charge of their own professional development.

Its Continuing Professional Development (CPD) programme involves paper-based and computer-based tools to help managers assess their needs and make development plans. The institute also offers courses and publications and, perhaps most important, is appointing CPD advisers in each of its 103 local branches.

Institute of Management: UK. (0)171 497 0580.

BUSINESS EDUCATION

CONFERENCES & EXHIBITIONS

What's inches tall and dances like Sylvie Guillem?

The answer is Merce Cunningham's little man in cyberspace. **Christopher Bowen** reports

In a room at the Merce Cunningham dance studio in New York's lower Manhattan, a compact figure raises his arms and bends his knees in preparation for a jump. Up he soars, one leg lifted at a high angle as he lands on the spot and holds the pose without so much as a hint of a wobble. Then he steps forward into a graceful, super-extended lunge – spine curved, arms flung back, head held high – before launching into a pattern of dizzying footwork which sends him spiralling across the floor.

It is a fiendishly complex sequence but this little guy executes it without fault. Not only that, he can repeat it endlessly and with as many variations as you like. Faster arm rotations and slowers steps? No problem. He will do it backwards and swivel his head through 360 degrees if that is what is asked of him. He never complains and he never gets injured. He is the Sequence Editor – or "Seq Ed", as choreographer Merce Cunningham calls him – the perfect dancer.

He exists only in cyberspace and within a software programme known as LifeForms, devised by Tom Calvert and Thecla Schiphorst of Simon Fraser University in Vancouver, but Seq Ed is causing a quiet revolution in the dance studio.

Conventional wisdom has it that choreographers craft works on their own, or other dancers' bodies, utilising the language of dance techniques – both classical and contemporary – which are developed and passed on from one generation to another.

But Merce Cunningham has never held much with convention. At 76 he is the iconic grand master of American modern dance. For half a century his works have relentlessly questioned perceived ideas of what dance is all about. He creates movement without reference to emotion, plot or even music, and regards every part the stage and point of the compass as having equal importance – not just down-stage centre, as tradition and the proscenium arch dictate.

As Cunningham allows his artistic collaborators the freedom to devise sound and design as independent elements which, in general, only come together for the first time on opening night, so chance plays its part in the choreographic process. He has often been known to flip a coin or throw the I Ching to determine a sequence; now he has Seq Ed to help him choose the variables. But what Cunningham really likes about LifeForms is its potential to spark new ideas about human movement.

"Right from the moment I began working with the program," he recalls, "I realised it could see movement in a way that hadn't been seen before. Like the camera captures moments that exist, but we don't actually *see*. Of course, the computer figures sometimes come up with dance sequences that are impossible for humans to do, but working these out on the dancers has produced some fascinating solutions. There have been a lot of very creative mistakes."

When Cunningham began exploring movement possibilities with LifeForms in 1989 the figures on screen moved from one set position to another, like a series of still photographs. Now the program moves with the fluidity of film at 30 frames per second, and can view the figures from any angle to give a three-dimensional representation of movement.

LifeForms is an ideal instrument for the recording and preservation of dance, which is currently achieved through forms of written notation that only specialist choreologists can decipher. But as a creative tool it allows for a degree of complexity that outstrips even Cunningham's intricately structured dance.

"As physical beings, we generally proportion the rhythm of our movement," Cunningham explains. "But with LifeForms you can have the legs doing one tempo, the torso another, and the arms something else. This was something I attempted to do in my early solos and it is incredibly difficult, not just to learn but to remember. LifeForms changes the way the memory works, although I think computers are doing this anyway."

This talk of technology might lead one to assume a dehumanised aspect to Cunningham's work, but there is no evidence to suggest that the dance produced on his computer conforms to some kind of microchip formula.

Recent pieces created using LifeForms like *Enter*, named after the all-important function key, and CRWDSPCR (pronounced Crowdspacer), have been acclaimed for their emotional atmosphere and vibrant theatricality. Which perhaps says all we need to know about computer-generated art being as good as the artist operating the technology.

CRWDSPCR is one of the works Cunningham will bring to London later this month when his company performs at Sadler's Wells and Riverside Studios as part of Dance Umbrella.

But his dance – or bits of it anyway – can be sampled by surfers on the Internet and at a Cyberstudio created in the Lilian Baylis Theatre at Sadler's Wells from October 24-29.

Set up by Terry Braun of Illuminations Interactive – a television and interactive media producer with a passion for dance and equipped with top-end Apple Mackintosh computers running LifeForms and MultiMedia, the Cyberstudio will offer five teams of choreographers, computer artists and animators the chance to collaborate on creating a piece of digital dance.

The week-long series of workshops and seminars has been devised in response to the over-subscribed weekend conference at last year's Dance Umbrella festival and, says Braun, follows on from the belief that a lot of today's emergent choreographers want to make dance that does not necessarily exist in real time and real space.

But Braun also acknowledges that the seminar is a dead notion in these days of interactivity, so there will be live, real-time, on-line Internet access to the work in progress. "The idea that you can create work that the whole world can see and participate in is very exciting", says Braun.

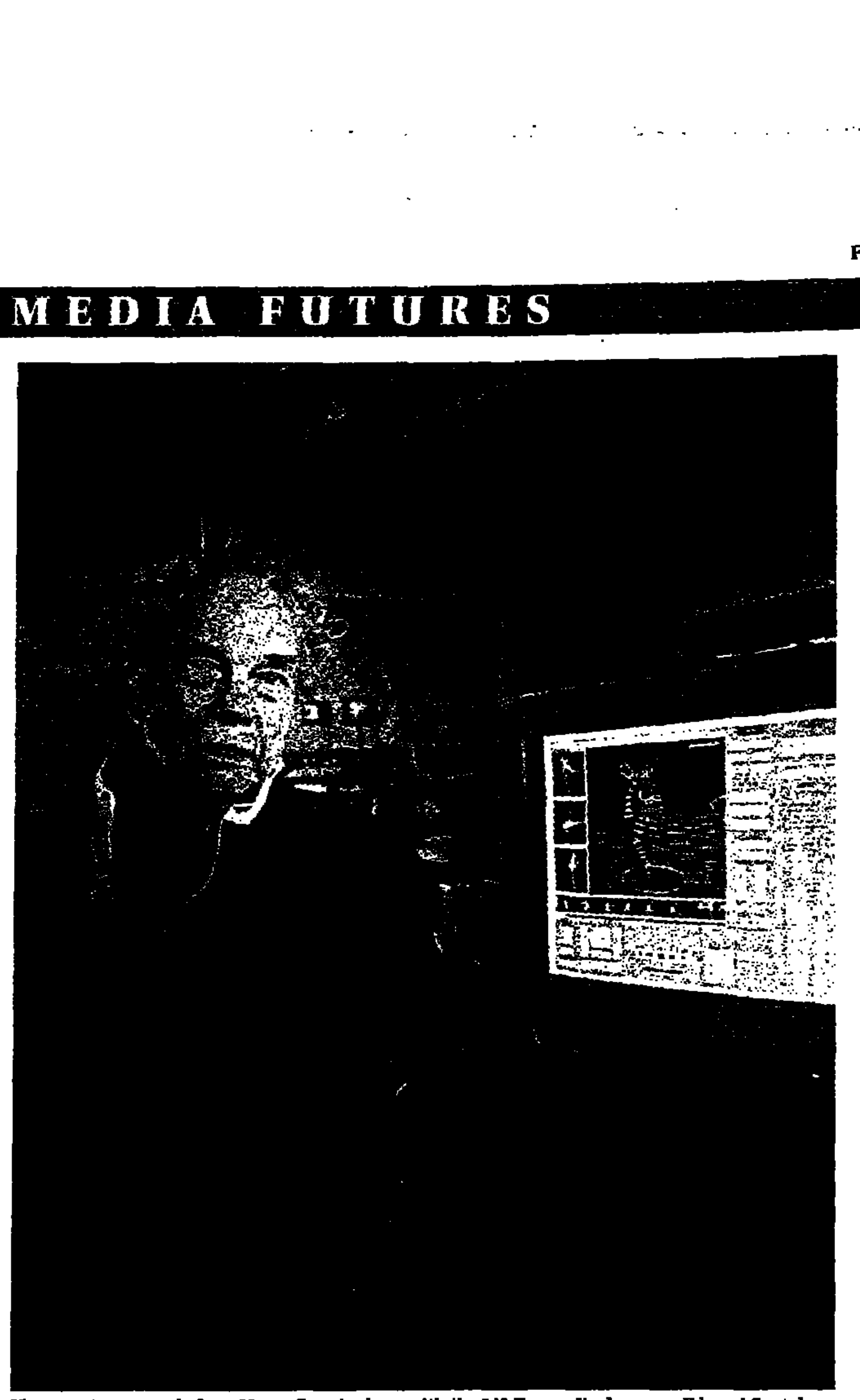
"It will be fascinating to see what choreographers, who have devoted their lives to weight and gravity and muscles, do when they express themselves in another media."

The world has already seen Gene Kelly tap dancing with Jerry the Mouse and Paula Abdul strutting her stuff with a cartoon alley cat, so Britain's young digital dancemakers will already have some idea of the possibilities.

Cunningham continues to be thrilled at the challenge the two-dimensional screen offers to choreographers.

"If it hadn't been for film, we wouldn't be able to see Fred Astaire's dancing," he says. That has always been my premise from the beginning – if that man did it, it is possible."

Merce Cunningham's Dance Company will present Events *at Riverside Studios from October 24-26 and a programme at Sadler's Wells Theatre on October 28-29. The Dance Umbrella Web Site is http://www.illumin.co.uk/umbrella.*



Movement as never before: Merce Cunningham with the LifeForms display Edward Santalone

Screen based CV revolution finds work for the mouse

By John Authers

Speculative job applications used to mean a trip to a typing agency to produce a thousand or so CVs, and then a small fortune in envelopes and stamps. In future, they might require only a click on the mouse at an Internet terminal.

Though speculative, applicants' CVs will only go to those employers for whom they are qualified and who have a vacancy.

The WorkNet system, launched on to the World Wide Web last week, is aimed at job-searchers and recruiters. Applicants who log on to the WorkNet site must fill in a series of details – including age, sex, qualifications, length of experience and the sector they are interested – on a CV form, and then add any extra details. If the applicant already has a CV on their personal computer, for example, that could be simply cut and pasted into position.

The system automatically cross-references the CV with any appropriate job advertisements in the WorkNet database, and forwards the CV to any relevant employers.

The CV remains on the database.

Confidentiality is maintained. Employers who log in to the recruitment section of the Web site must fill out a questionnaire listing their requirements, and place an advertisement. Once they do so, CVs matching the criteria are automatically forwarded to them. But they arrive without personal details.

Employers must then e-mail WorkNet with the CV reference numbers of any people they wish to interview. WorkNet in turn will only releases the personal details if the potential interviewees give their approval.

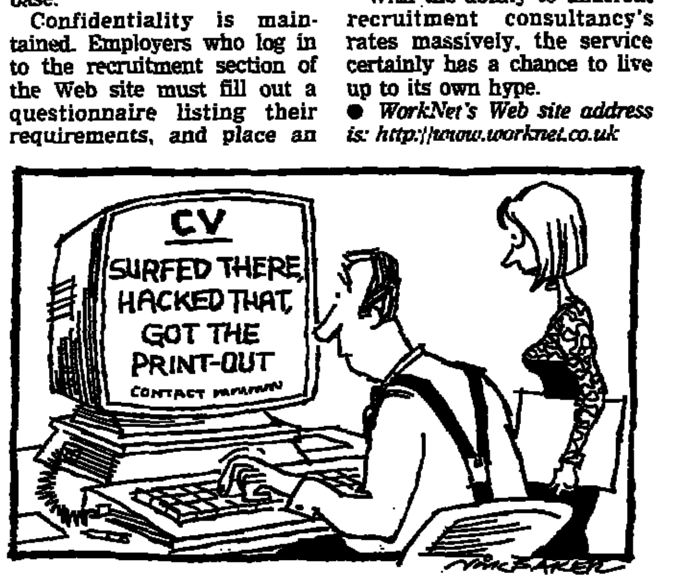
WorkNet is trying to establish a "critical mass" with aggressive discounting – the service will be free for both recruiters and applicants for the first three months. The company is also offering three months' free subscription to the Internet, including the necessary software, to companies which are not yet on-line.

It eventually intends to make a charge to recruiters.

Tom Laidlaw, project director, is abrasively confident about the future. He says the service marks "a very real turning point in the usefulness of the Internet and the profile of electronic media and services in business", and will "bring the Internet into the everyday activities of business and the workforce".

With the ability to undercut recruitment consultancy's rates massively, the service certainly has a chance to live up to its own hype.

● *WorkNet's Web site address is: http://www.worknet.co.uk*



هكذا من الأصل

هكذا من الأجل

Game for statistical monsters

Tim Jackson

A few weeks ago, an American paper uncovered a wonderful scam. An organisation calling itself the Agency for Inter-American Finance was advertising on the Internet a bond carrying a coupon of 11.75 per cent – and offering a bonus of $100.000 (£64,500) or more. Potential investors were asked to send their cheques to a post-office box in Antigua.

Unfortunately, the Agency did not exist – and nor did a newsletter in Singapore that its page on the World Wide Web claimed had recommended the bond as a good investment.

Only after some diligent investigation by Eric Hubler of the Securities Industry Daily was the Web page traced to a small company in suburban Chicago.

When I heard last week that the government of the principality of Liechtenstein had launched a lottery on the Internet, and was guaranteeing a jackpot of $1m, my first thought was that the fraudsters of Chicago had met their match.

But apparently the Liechtenstein lottery is neither a fraud nor a joke. It is a serious business, operated by Micro Media Services, a British software house. Anyone who wants to follow the rise and rise of the Internet can learn a lesson or two from it.

Micro Media Services is a software company that specialises in the Internet; it runs a Web site offering electronic commerce, and a free employment matching service.

The idea of an Internet lottery is not new. Several different companies claim to be running games of chance across the net. But when one of the company's technical people suggested it late last year, Micro Media's managers were canny enough to realise immediately that credibility was the biggest issue.

The only way to make people take their venture more seriously than the Agency for Inter-American Finance, they decided, was to give it the imprimatur of a government. David Vanrenen, Micro Media's chairman, then spent the next three months trying to find a small country that would be liberal enough to contemplate starting an Internet lottery.

Of the three candidates he considered, two were swiftly ruled out. Luxembourg, which already ran its own lottery, and Monaco, which friends told him would be unlikely to do business with him unless a member of the Monégasque royal family was among his shareholders.

That left Liechtenstein, a country of 30,000 inhabitants that lies between Switzerland and Austria, and whose most thriving export industry is the manufacture of false teeth.

Liechtenstein may not sound the obvious place to start a lottery. But Vanrenen and his colleagues realised correctly that geography does not matter on the Internet. The potential market is global – recent estimates say that the Net has 50m users – and from the point of view of someone in San Francisco, a computer in Liechtenstein is as close as one in Los Angeles. Writing the software for a fully electronic lottery, in which gamblers would send their chosen numbers over the Internet and pay by credit card, was not the problem. Making contact with the Liechtenstein government and negotiating terms took Vanrenen another six months.

The Liechtensteiners told him that their ancient lottery law allows gambling only if for charity rather than for profit. So arrangements were made for the lottery to be owned by a not-for-profit foundation, which would pay a minimum of 5 per cent of the proceeds to charity – with the extra twist that gamblers are allowed to nominate the category of charity where they would like their money to go.

The figure of 5 per cent may seem low; Vanrenen believes, probably correctly, that players from faraway will hardly care whether their 5 per cent goes to the Red Cross or Blue Circle. The Liechtenstein government has a more direct interest in the matter, however, since it intends to use lottery proceeds to reduce its own charity contributions.

Some 65 per cent of the income will be paid straight out in prizes, allowing the promoters to boast that a larger proportion than in any other national lottery. The rest will cover the costs of administration.

Costs? What costs? After writing the software and setting up a couple of powerful servers in Vaduz, the capital of Liechtenstein, the foundation that owns the lottery has a money-making machine on its hands.

No need to invest millions in printing or electronic infrastructure; the most significant expense once the system is set up paying a small commission to credit-card companies for processing the payments. (There is a small overhead in dealing with gamblers who do not have Netscape software on their computers. To frustrate hackers, they are asked to send in their credit card details by fax or post.)

Last week, the new lottery opened for business, under the name of InterLotto. Players were invited to buy tickets at five Swiss francs with a minimum purchase of two tickets and a transaction on their computers, to frustrate hackers, they are asked to send in their credit-card details by fax or post.)

Last week, the new lottery opened for business, under the name of InterLotto. Players were invited to buy tickets at five Swiss francs, with a minimum purchase of two tickets and a transaction charge of SFr2 (£1). A grand draw was to be held last Saturday night in a restaurant just outside Vaduz.

I see just two flaws in this otherwise faultless idea. Given that buying lottery tickets is irrational anyway, is it not likely that Internet users may prove more intelligent than the rest of the population – and thus shun the service? So far, it is too early to tell, though by Thursday afternoon fewer than 500 people had placed bets. But Micro Media will cover its costs easily if only one hundredth of one percent of Internet users decide to have a weekly flutter. (For comparison, the rule of thumb with national lotteries is that 50 per cent of the adult population takes part.)

That other flaw is more banal. How, with only a few hundred punters, can the lottery offer a guaranteed jackpot of $1m to anyone whose entry matches the six numbers between one and 40 pulled from the hat?

Easily, it seems. Since the odds are a matter of calculation, the foundation has insured against the unlikely eventuality that a player will hit the jackpot. So if any FT reader is silly enough to enter and lucky enough to win, he or she will receive a cheque courtesy of Lloyd's of London rather than of the taxpayers of Liechtenstein.

Tim Jackson can be reached at *Tim.Jackson@pobox.com*

Cyber sightings

by Stephen McGookin

● The US Federal Communications Commission has set up a user-friendly site (*www.fcc.gov/ccb.html*) for its Common Carrier Bureau, which regulates interstate wireline telecoms services.

● The Telecom Information Clearinghouse (*www.telecommunications.com/info.htm*) runs a daily news-brief service and reports on the global telecoms industry.

● Central Source Inc's *www.telephonebook.com* is a exactly that – a Yellow Pages of US business phone numbers, searchable by category and region; while *www.buttle.com/tel* has links to online phone and fax directories worldwide.

● CAPEX, the Munich-based Capital Exchange Inc, has a site (*www.broker.cube.net/capex.html*), in English or German, linking venture capitalists and entrepreneurs.

● Fund managers Global Asset Management have a site (*www.ukinfo.gam.com*) with helpful detail, but unfortunately the small italic typeface makes it far from easy to read.

● "Don't be scared, be prepared" is the slogan of the Dublin-based SpeechWriters (*www.irishmall.ie/irishmall/speech*), who will custom-write a speech for any business or personal occasion and e-mail it back to you.

Stephen McGookin
(*steve@mcgook.demon.co.uk*)

Wee drams and d-rams

Guinness taps into multimedia. **Roderick Oram** reports

What finer view might you want as you sip your Talisker malt whisky than across Loch Harport to the hills of northern Skye? But if heading for northwest Scotland every time you pour a dram is a little inconvenient. Guinness is working on the Internet's answer.

Guinness is thinking of fixing a video camera in its Skye distillery to feed live pictures of the scenery – mist, rain squalls, scudding clouds and all – into *Scotch.com*, one of its seven World Wide Web sites.

To Guinness, the Internet and multimedia applications such as interactive CD-Roms are promising new ways to attract young, affluent and inquisitive customers to its spirits and beer.

"There's been a big jump in users, from hackers eating Pot Noodles and drinking saccharin-drenched drinks to sophisticated consumers," says Jonathan Driver, brands publicity director at United Distillers, Guinness's spirits arm.

Ideas on the drawing boards include on-line shopping for rare malts delivered to your door (a service that might start in the next few weeks) and a CD-Rom to sell with the boxed collection of its six "classic" malts.

The CD-Rom format lends itself well to marketing Scotch, Guinness says. Slip in the disk, pour the first malt and let a kilted guide take you on a short tour of the distillery, show you how to swirl the glass, nose the whisky and seek out the subtle flavours in each sip. Repeat for each malt. The prototype sports a score sheet to help tasters record their impressions. Given the chance of many a slip 'twixt mouse and mouth by the fifth or sixth malt, the sheet is waterproof.

Guinness's first outing on the Internet happened by chance 18 months ago. An advertising agency suggested that malts were perfect products for Web site promotion. Maps, histories and tasting notes for each distinctive malt attracted thousands of visitors to *Scotch.com*, mostly from the US and Japan.

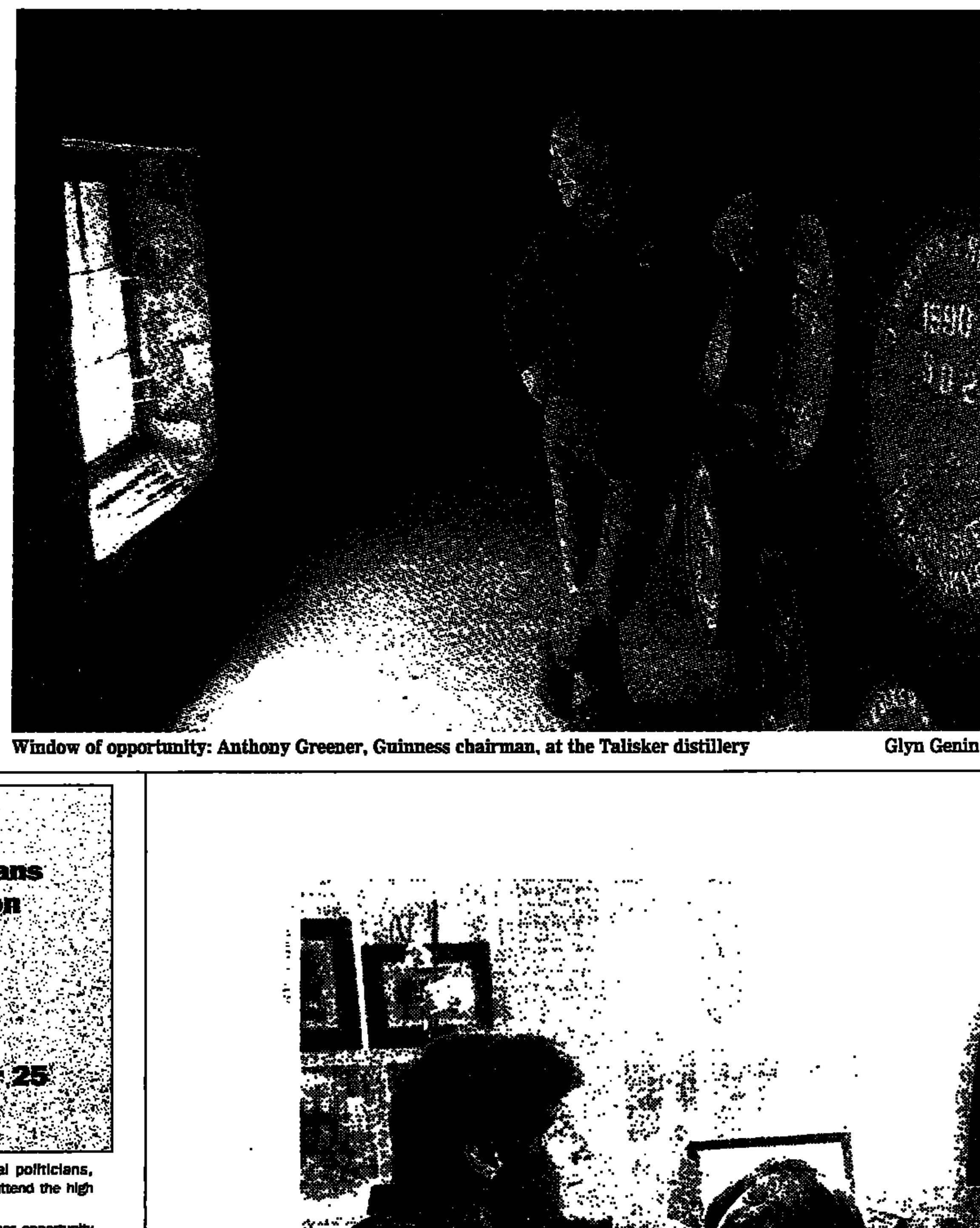
Meanwhile, employees in spirits in the US and beer in the UK were developing their own sites. These were largely ad hoc initiatives in their own time but proved to be equally successful.

The official Guinness site has attracted some 100,000 hits in the past couple of months. A clip from current television advertisements of a man dancing around a Guinness glass, downloaded by some 20,000 users, has become a cult screen-saver. "The key is to support any new media activities with conventional media," says Carl Lyons who heads the Internet activities of Guinness Brewing.

Print and TV ads, for example, have carried the site address this summer. That was one sign that the Internet and multimedia are becoming formal parts of Guinness's marketing communication.

Driver says Guinness is only starting to understand what this direct dialogue with consumers might mean. But one immediate benefit is clear: "With this medium you don't have to water down the message as you do with others."

http://www.itl.net/guinness/and http://scotch.com/p44.html



Window of opportunity: Anthony Greener, Guinness chairman, at the Talisker distillery Glyn Genin

LEGAL NOTICES

PORTSGATE GROUP LIMITED
EYRE & SPOTTISWOODE LIMITED
GROSVENOR PRESS (PORTSMOUTH) LIMITED
THE THANET PRESS LIMITED
CHISWICK PRESS LIMITED
GRAPHICS (HAMPSHIRE) LIMITED
(ALL IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at Holiday Inn Kings Cross, 1 Kings Cross Road, London WC1X, on Wednesday, 18 October 1995 at 10.00 o'clock, for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:

(a) - they have delivered to us at 186 City Road, London EC1V 2NU, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 27th day of September 1995
N RUDDOCK and N H COOPER
Joint Administrative Receivers

EIDOGRAPHICS LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU, on the 31st day of October 1995 at 2.30 in the afternoon, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 4th day of October 1995
V M BARSTOW and N RUDDOCK
Joint Administrative Receivers

PUBLIC NOTICES

SECTION 8 WATER INDUSTRY ACT 1991
ENVIRO - LOGIC LIMITED

NOTICE IS GIVEN that Enviro-Logic Limited of 42 Weymouth Street, London W1N 3LQ applied to the Director General of Water Services for appointments as sewerage undertaker to replace Severn Trent Water Ltd. in respect of the areas described below and on the dates given in parentheses. Bass Brewers Ltd. Station Street, Burton-on-Trent (4.8.95); Walkers Snack Foods Ltd. Bursom Rd. Leicester (14.8.95); Walkers Snack Foods Ltd., Cobden Street, Leicester (14.8.95); Carlsberg - Tetley Ltd. Station St. Burton-on-Trent (30.8.95); Britvic Soft Drinks Ltd. Aventine Way, Glebe Farm Industrial Estate, Rugby (4.9.95).

The applications were made in the circumstances describe by Section 7 (4) (bb)

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Continental Foods 2.5p
Ellis & Everard 5.7p
Elsevier F10.18
Export-Import Bank of Japan 7¾% Bd '02 C$77.50
Far Eastern Textile 4% Bd '06 $400.0
Fife Indmar 1p
Gardiner 0.27p
ICI 11.5p
Kobe Steel FRN '96 Y36652.0
Leo 1 Cl B Mort Bkd FRN '35 £2296.43
Do Cl B Mort Bkd FRN '32 £219.75
NatWest Bank 8.4p
Nationwide Bldg Scty Varied Cpn Nts '95 £78378.42
OKI Electric Industry 7.25% Bd '98 Y725000.0
Osaka Gas 10.25% Nts '96 C$512.50
PSIT 3.375p
Reed Intl 7.5p
South Western Electricty 65p
Takashimaya FRN Jan '98 Y39819.0
Tomkins 6.22p
Victoria Carpet 2p
Wace 1.85p
Warnford Inv 5p

■ TOMORROW
Banco Bilbao Vizcaya Pta42.0
Cementone 0.4p
Collaterised Mort Secs (No.11) Cl B Mort Bkd FRN '28 £218.41
DKB Intl Fxd/FRN July '04 $16992.45
Euro Bank for Reconstruction & Development 8.875% Bd '96 ECU887.50
Henlys 4p
Intelek 0.5p
Lothbury Funding Cl A1 Mort Bkd FRN '31 £1244.63
Do Cl A2 Mort Bkd FRN '31 £1827.79
Do Cl B Mort Bkd FRN '31 £2029.43
MBE Finance Dual Basis Bd '04 $35585.42
Macfarlane (Clansman) 1.4p
Marling Inds 0.57p
Newport Boro Council 8⅞% Ln '19 £1.77986
News Corp A$0.015
Do Prefd Lim Vtg A$0.0375
News Intl Special Div (Res Vtg) 1.62p
Philip Morris $1.0
Pittencrieff Resources 0.5p
Rank Organisation 4.75p
Syndicate Cap Tst 1.75p
TI Grp 4.35p

WEDNESDAY OCTOBER 11
Abbey National 1st Cap Sb FRN '03 $32.09
City Centre Restaurants 0.45p
Conversion 10% '02 £5.0
DKB Intl Fxd/FRN Apl '05 $35011.46
Dalepak Foods 1.2p
GMAC Australia 14¼% Nts Oct 11 '95 A$142.50
Howard Hldgs 0.8p
Islington Corp 12.65% Rd '07 £6.325
Mitsui Fxd/FRN '96 Y29063.0
Nelson Hurst 2.6p
Peninsular & Oriental Steam Navigation 14.8% Nts '95 A$7400.0
Potgietersrust Platinum R0.47
Ropner 3.5p
Rustenburg Platinum R1.47

THURSDAY OCTOBER 12
Clyde Petroleum 0.4p
Clydeport 1.4p
Conrad Ritblat Sinclair Goldsmith 0.425p
Dixon Motors 1.675p
Enterprise Oil 11⅝% Un Ln '16 £5.8125
Ireland (Republic of) 12½% Ln '08 £312.50
Lloyds Bank 8.6p
Scottish Eastern Inv 0.55p
Slough Estates 11⅝% Bd '12 3.1p
Tate & Lyle Intl Finance 8% Bd '99 £80.0
Telegraph 5.5p
WSP Grp 1.1p

■ FRIDAY OCTOBER 13
Alexander & Alexander Serv 11% Conv Sb Db '07 $5.50
Allnatt London Properties 10½% 1st Mort Db '94/99 £1.20822
Anglo American Industrial R1.60
Bradford & Bingley Bldg Scty FRN '97 £173.73
Do FRN '98 £174.86
British Assets Tst 4½% (3.15% net) Pf 1.575p
Do 5% (3.5% net) 'A' Pf 1.75p
Capita 1.3p
Courts 3.125p
Domnick Hunter 2.4p
Enterprise Oil Sb FRN '99 £40924.32
Evans Halshaw 5.5p
Friends Provident Ethical Inv Tst 3p
Do UNITS 3p
Genbel Inv R0.14
Gibbs & Dandy 1.4p
Do 'A' Non Vtg 1.4p
Greggs 8p
Hongkong & Shanghai Banking Prim Cap Undtd FRN $76.67
Intl Inv Tst Co of Jersey 3.5p
Jersey Phoenix Tst 1.5p
Johnson Fry Euro Utilities Tst Inc 2.8p
Johnson Fry Second Utilities Tst Inc 1.6p
Johnson Fry Utilities Tst Inc 2.5p
Jones, Stroud 6.5p
Kobe Steel 5.6% Bd '96 Y560000.0
Morgan (JP) $0.75
Motorola $0.10
National Australia Bank Undtd Sb FRN $334.86
Pendragon 3p
Rathbone Bros 3.5p
Rosebys 1.6p
Royal Bk of Canada Govt Stlg Fd Inc Partg Rd Pf 1p
TLS 0.85p
Treasury Loan 9% '08 £4.50

■ SATURDAY OCTOBER 14
Commonwealth of Australia 9½% Ln '12 £237.50

■ SUNDAY OCTOBER 15
Aegon 7¼% Bd Oct 15 '95 ECU72.50
American Brands 12½% Un Ln '09 6.25p
BCE C$0.68
Canadian Pacific Retractable Db '90/99 $96.0
Eldridge, Pope 6¼% Irred Un Ln £3.125
Do 7½% Irred Un Ln £3.75
Finland (Republic of) 11½% ln '09 £287.50
Goode Durrant 3.5% Cm Pf 0.875p
Govett Strategic Inv Tst 9⅞% Db '17 £4.9375
High Inc Tst 1.6p
Manders 5% (3.5 net) Cm Pf 1.75p
Merton (London Borough of) 11¼% Rd '17 £5.625
Metropolitan Water Board Southwark & Vauxhall Water 3% Db £1.50
Pacific Gas & Electric $0.49
Richards 4% (2.8% net) Cm Prfed 1.4p
Do 5½% (3.85% net) Cm. Prefd 1.44375p
Verity 0.1p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Adscene, Camburgh House, 27, New Dover Road, Canterbury, Kent. 10.30
INVESCO Japan Discovery Trust, 11, *Devonshire Square, E.C., 12.00*
Johnson Fry Utilities Trust, The Stafford Hotel, St. James Place, S.W., 2.30
Syndicate Capital Trust, One Lime Street, E.C., 11.30

BOARD MEETINGS:
Finals:
Intl Biotechnology
Lucas Inds
Manganese Bronze
M.R. Data Mgmt
Tay Homes
Wetherspoon (JD)
Interims:
Culver
Fine Decor
Firecrest
Forward Technology
Martin Currie Pacific Tst

■ TOMORROW
COMPANY MEETINGS:
Baris, 62, Threadneedle Street, E.C., 10.00
Howard Hldgs., Kingston Lodge Hotel, Kingston Hill, Kingston upon Thames, Surrey. 10.30
Macro 4, The City Cellars, The Brewery, Chiswell Street, E.C., 12.00
***Westport,** 32-36, Telford Way, W., 10.00*

BOARD MEETINGS:
Finals:
Euro Smllr Cos
Hambros Smllr Asian
Lloyds Chemists
Old Mutual S Africa Tst
St Ives
Sinclair (William)
Thorntons
Interims:
Capital & Regional Properties
Cobham
Cohen (A)
Henderson Highland Tst
JJB Sports
Jones Grp
NB Small Cos Tst
Trafficmaster
Walker Greenbank

■ WEDNESDAY OCTOBER 11
COMPANY MEETINGS:
African Gold, Hill House, 1, Little New Street, E.C., 11.00
Polypipe, The Grand St. Leger Hotel, Doncaster, 11.00
TR City of London, 3, Finsbury Avenue, E.C., 3.30
***Wyko,** Botanical Gardens, Edgbaston,* Birmingham, 12.00

BOARD MEETINGS:
Interims:
Alexandra Workwear
Bulgin (AF)

■ THURSDAY OCTOBER 12
COMPANY MEETINGS:
Armitage Brothers, Armitage House, Colwick, Nottingham, 11.30
Wiggins, Cadbury House Country Club, Congresbury, Bristol, 2.00

BOARD MEETINGS:
Finals:
Cradley
Interims:
Brown (N)
David Brown
Lionheart
Morgan Grenfell Latin Amer
Time Products
Tudor

■ FRIDAY OCTOBER 13
COMPANY MEETINGS:
Fortnum & Mason, 181, Piccadilly, W., 10.00
Jones, Stroud, Donington Thistle Hotel, East Midlands Airport, Castle Donington, Derby, 12.00
Stanelco, Oliver House, 27, East Barnet Road, New Barnet, Herts, 10.00

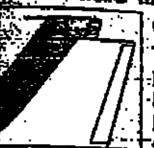
BOARD MEETINGS:
Interims:
Bisichi Mining
Environmental Inv
London & Assoc Inv Tst

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

BUSINESS TRAVEL

Sir Freddie flies again



Cut-price air travel pioneer Sir Freddie Laker plans to start his new transatlantic service on Good Friday next year, April 5. The first route will be between London and Fort Lauderdale in Florida.

Sir Freddie has formed Laker Airways in partnership with Texan oil magnate Oscar Wyatt, who will own 51 per cent of the new carrier.

The airline plans to operate daily non-stop DC-10 flights – four a week to Gatwick, two to Manchester and one to Glasgow. "We also plan to operate a minimum once-weekly flight from Fort Lauderdale to Frankfurt, one or two a week to Berlin and maybe one a week to Milan," Sir Freddie added.

Laker Airways is leasing three DC-10s from General Electric Aviation Capital Assets.

Laker's Skytrain airline collapsed in 1982 after five years of rapid expansion as a UK pioneer of cheap air travel.

At the time he blamed bigger US and British rival airlines for predatory pricing policies, which he said was the reason for the collapse.

French disruption

A strike by French public-sector workers tomorrow will force SNCF to cancel three-quarters of its trains on most lines and disrupt the Eurostar Paris-London service, the company said.

It said that one in four trains would run on TGV and main lines. Three out of every 10 trains on the Eurostar Paris-London link would be cancelled.

The stoppage centres on a tight civil service pay offer for next year. Unions also plan a day of action at Air France, as well as RATP, which operates the Paris Metro and buses.

Phoenix collapse

South African domestic carrier Phoenix Airways is to file for provisional liquidation tomorrow, the latest in a series of local airline-related companies to go out of business. It suspended flights from Friday.

Phoenix launched its domestic service last December with flights from Johannesburg to Durban and Cape Town. It was taken over by charter company Atlantic Air in August.

Others that went into liquidation include Avia, which operated a discount service between London and Johannesburg.

Sri Lanka link

British Airways is to start flights to Sri Lanka again after a seven-year break, it said last week.

The airline ended a 31-year association with Sri Lanka in May 1988 after passenger numbers dropped following political unrest in the country. But twice-weekly flights from Gatwick will begin on October 31, BA said.

The airline is also to expanding operations to India with flights from Heathrow to Bombay and Madras from next spring.

BA has also said it will start services to Phoenix, Arizona, from spring 1996, with the flights going on to San Diego in California.

Ritz sold for £75m

London's Ritz Hotel has been sold to the reclusive Barclay brothers for £75m by Trafalgar House, the property, construction and shipping group.

The brothers, who also own The European newspaper, own a string of expensive hotels around the world.

The Ritz, built by Swiss-born hotelier Cesar Ritz, opened in 1906. The hotel was then bought by Trafalgar House in 1976. The group has been selling its hotels to raise cash and the Ritz is the last to go.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	21	20	21	22	22
Hong Kong	28	29	29	29	29
London	24	20	19	21	[illegible]
Frankfurt	24	24	21	20	21
New York	19	21	20	17	[illegible]
L. Angeles	26	27	27	25	28
Milan	24	24	23	23	[illegible]
Paris	25	24	21	22	23
Zurich	22	22	21	19	[illegible]

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

A case of terminal indigestion

Limited catering at US airports makes life harder for people on business trips, says Victoria Griffith

Jetting around the United States these days can pose peril to a traveller's stomach. A trip departing from New York's LaGuardia placed me at an airport terminal at dinnertime recently with no available food but the chocolate bars, pretzels and potato crisps on sale at the terminal's store.

Leaving Miami a few weeks later, I rushed to catch a plane to discover that the only edibles on sale near the gate were hotdogs and pretzels.

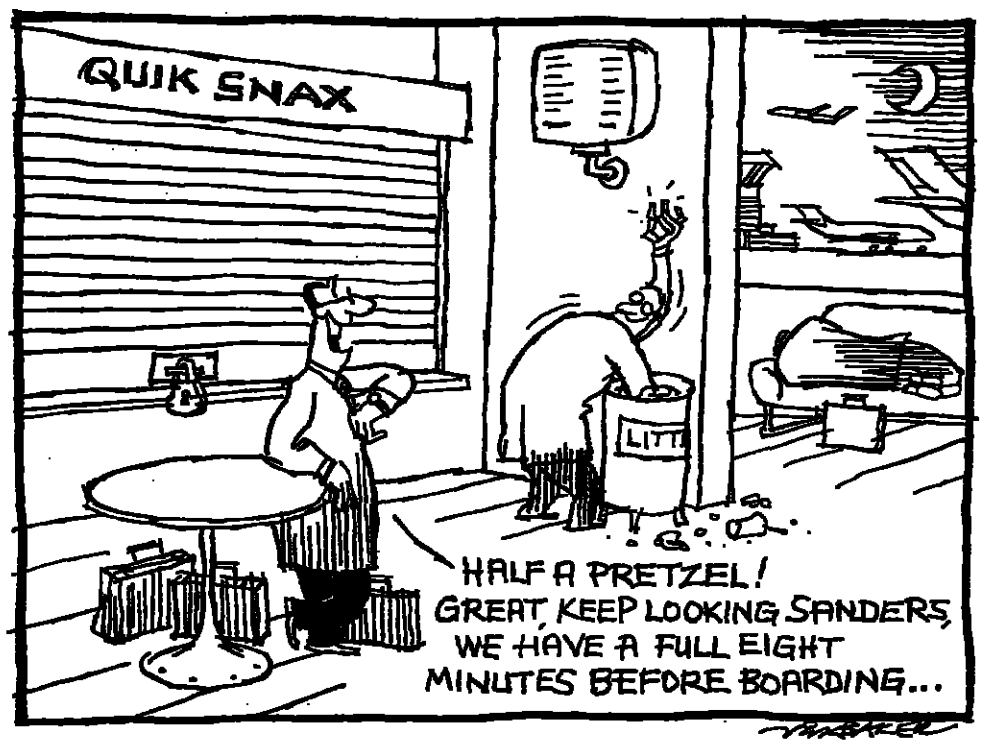
Airline service did not relieve my hunger pangs, since it offered only "snacks" – those omnipresent pretzels and crisps. US airlines rarely offer anything substantial on flights of less than three hours.

Often there are no restaurants open anywhere near the departure gate. And the white-tablecloth restaurants of yore have yielded to mall-like spaces offering fast food only.

"We used to have a white-tablecloth restaurant at O'Hare, but it just wasn't profitable," says Lisa Howard of the Chicago Department of Aviation, which manages Chicago's airports.

"Travel was once a special thing, and people would be seen off by their family or business associates, but not any more. Since people are on their own, they tend to go to the fast-food places," she adds.

Another reason the quick-service joints are so popular may be the close connection times between flights, often now just 20 minutes at many major airports.



Airport concession groups say the travellers most likely to want sit-down service and fine dining are business executives. They are being left out in the food courts, however, as airports increasingly opt for international brands such as McDonald's and Burger King.

"The business traveller does tend to go more to sit-down restaurants," says Bill McCarten, president of Host Marriott, which controls food and beverages at airports around the country. "But most travellers like national brands, and we cater to them," he adds.

The trend to fast food can make life difficult for executives looking for quiet spaces to work or entertain associates. Business travellers looking for a private space for an airport meeting, says McCarten, should try renting some of the new airport meeting rooms, or opt for casual sit-down chains such as TGIFriday's and Legal Seafood.

An official at Boston's Logan Airport suggested that air travellers in search of a good meal should leave extra time in case they have to take a bus to another terminal.

However, there is some good news on the airport food and beverage front. Airport meals are much cheaper than they used to be. The days of the $10 tuna sandwich and $5 coffee are largely over. Specific pricing rules are now incorporated into airport contracts with food and beverage companies requiring "street pricing" – the same price available outside the airport.

A Big Mac at an international airport usually costs no more than a Big Mac downtown. Good beer is becoming easier to obtain as airports sponsor "microbreweries" – locally made brands with a strong individual flavour. And the addition of coffee chains such as Starbuck's makes it easier to find a tasty cup of espresso.

The leisurely expense-account meal at a white-tablecloth restaurant overlooking the runway, however, is a thing of the past at most US airports. "We won't see a return to elegant airport restaurants," says Ira Weinstein, an airport consultant. "Airports are making money on the fast-food formula, and it's here to stay. If you want something fancy, you'd better eat in town before you fly."

James Buxton on the Eurostar service to Brussels

Peace and quiet

You can't help feeling excited the first time you enter Waterloo International Terminal for a Eurostar train through the Channel Tunnel. The stylish surroundings, the bilingual officials calling you "sir" at every opportunity, even the Italian coffee in the bar, generate a feeling that you are doing something special.

The mood is sustained after you board the train. Last Wednesday the 9.27 to Brussels glided out on time and after an hour descended gradually into the tunnel for its 20-minute transit into France. An hour and three quarters later at 12.44 (the UK and the continent are on the same time for the next week) we reached Brussels Midi/Zuid and I felt relaxed and ready for my appointments.

It was not just the smoothness of the train: the journey was peaceful because the standard class carriages were about 90 per cent empty. In the buffet, where I bought an excellent bacon and egg muffin, the only people were four or five crew members trying valiantly not to look bored.

Yet how can such a lovely service be so little used? Most of the people at Waterloo, I now realise, were going to Paris, which is served by up to 11 Eurostar trains a day with an average load factor of 75 per cent, according to European Passenger Services, the train operator. The noise of chatter on board the train can make it impossible to work, as Michael Skapinker lamented on this page recently.

The Brussels service is usually no more than half full

The six Brussels trains, on the other hand, have an average load factor of between 30 per cent and 50 per cent, EPS says. The early part of the week is particularly quiet.

"We knew from the outset [Eurostar began running last November] that the Brussels service would be less popular than Paris," EPS says. "Brussels is less attractive from the leisure point of view than Paris, and Belgium is less well-known than France."

The company, which belongs to the state-owned railways of Britain, France and Belgium, is promoting Brussels, and other Belgian cities such as Bruges, and offers an incentive return fare of £69 per person for two people staying a Saturday night, compared with the standard return of £155 and the leisure return of £125. "But this has still to show an improvement," it admits.

Part of the problem is that the journey to Brussels is not particularly fast. Although the train does its maximum 300 kph after leaving the tunnel, the stretch from Lille to Brussels is on slower track, as is, notoriously, the section in England. The journey time will fall to two hours 40 minutes when high-speed track open in Belgium in 1998.

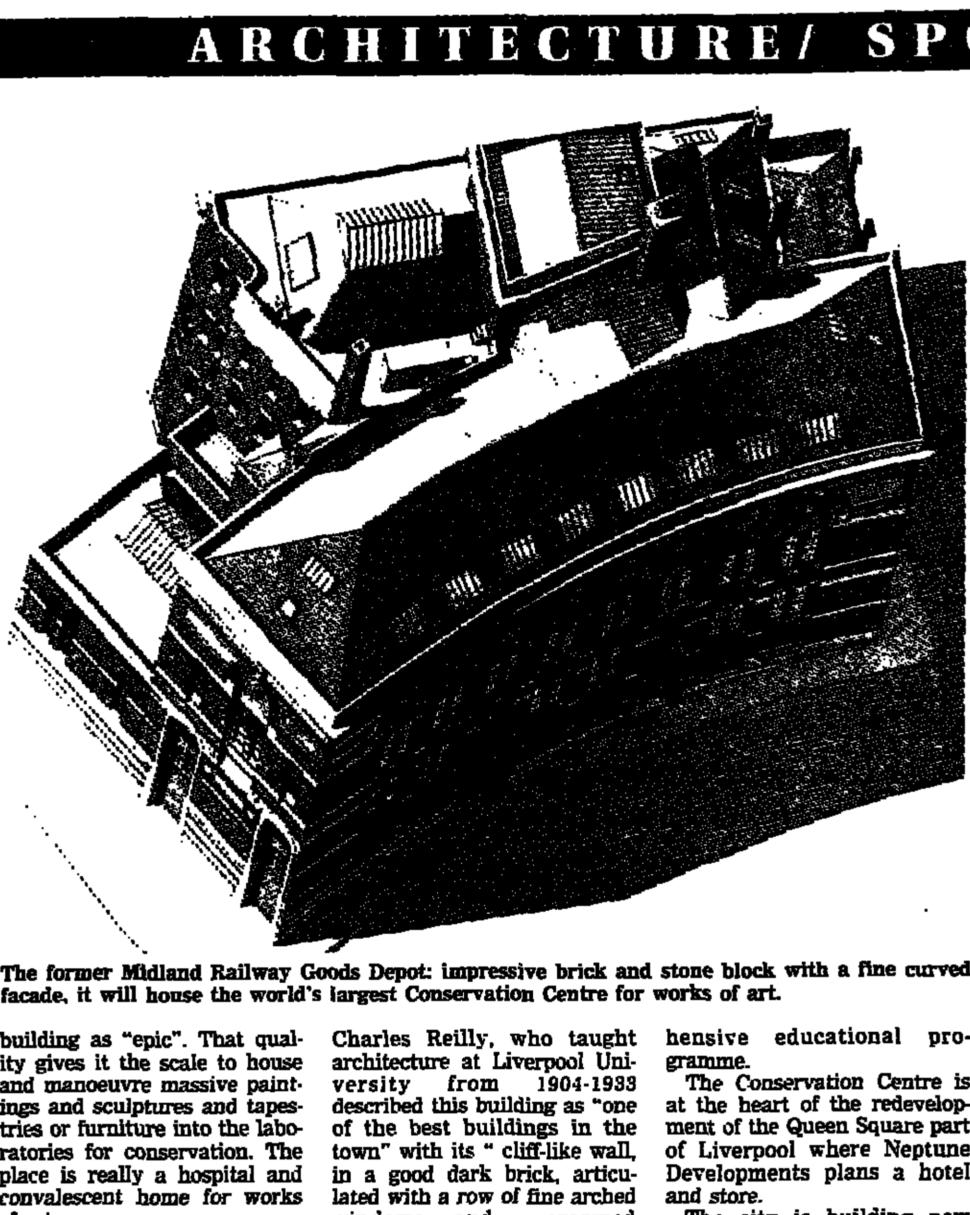
In any case, with Eurostar passengers having to check in 20 minutes before departure, it could be just as quick to travel between city centres by air.

EPS blames corporate customers, who form the majority of passengers to Brussels, making their travel arrangements through in-house departments which have discount arrangements with airlines. But not all travel agents can supply Eurostar tickets at short notice.

There is a quick fix. The Brussels trains would look less glaringly empty if they did not consist of 18 coaches. But because the trains are used on both routes, reducing the number of coaches for cosmetic reasons is not feasible. So the journey will be quiet and roomy for a while yet.

Matchless museum on the Mersey

Conservation has rare quality in Liverpool, writes **Colin Amery**



The former Midland Railway Goods Depot: impressive brick and stone block with a fine curved facade, it will house the world's largest Conservation Centre for works of art.

Conservation takes on new meaning in Liverpool with the recent handover of a listed Victorian city centre warehouse to the National Museums and Galleries on Merseyside. The former Midland Railway Goods Depot occupies a triangular site in the Queen Square area at the centre of the city.

It is a very impressive brick and stone block with a fine curved facade articulated with rows of tall arched windows. When fitted out, it will house the world's largest Conservation Centre for works of art.

Taking good care of works of art is a serious business. The National Museums and Galleries on Merseyside is a group of museums in and around a unique city.

As a collective of museums it represents the best of Liverpool's past and reminds us that Liverpool is a very special place.

The city became prosperous and cosmopolitan in the nineteenth century because of its great port and waterfront on the Mersey. Cotton for the Lancashire mills and a rich Atlantic trade brought money and shipping fortunes.

All this is represented in the remarkable range of civic architecture – very fine by any standards.

It was a brave step for the group of museums to decide to take on this listed Grade 2 building which had been much neglected.

It was built in 1874 to the designs of Liverpool architects Culshaw and Summers. It is a confident Victorian commercial presence with its large scale detailing and massive stone cornices and plinths.

Liverpool has a tradition of almost cyclopean architecture. The Albert Dock by Jesse Hartley is the finest example, now thankfully well preserved. The giantism strikes the visitor as you arrive at Lime Street and walk out into the civic centre dominated by the glorious classicism of St. George's Hall. This civic hall, concert room and law courts dates from 1839 and was the result of a competition won by Harvey Lonsdale Elmes when he was only 25.

Youthful competition winners constitute a Liverpool tradition. Giles Gilbert Scott was only 21 when he won the competition to design the Anglican cathedral in 1903. It remains one of the finest twentieth century gothic buildings.

It was right for the city's museums to decide to bring new life to an old building and the conversion by the architect Ken Martin is a triumph.

He saw the point of the epic scale of the building and this will be appreciated by the visitor to the Conservation Centre.

The new entrance hall and exhibition gallery is dominated by two sculptures, Eros by Alfred Gilbert and the Spirit of Liverpool removed for its own protection from the portico of the Walker Art Gallery.

That part of the new centre is the public area with a cafe and exhibition gallery. The rest of the centre with its complex of restoration activities will also be open for public tours.

The architect described the building as "epic". That quality gives it the scale to house and manoeuvre massive paintings and sculptures and tapestries or furniture into the laboratories for conservation. The place is really a hospital and convalescent home for works of art.

They will be wheeled in from one of the museums; they may have to pay a visit to the X-Ray department and then be cleaned up or have missing parts restored. The skilled doctors and nurses will have ideal conditions for carrying out their facelifts and gentle surgery.

Beautifully lit and scaled rooms for the conservation of paper, textiles, wood, metal, stone and paintings make this Europe's finest conservation centre.

The famous Professor Charles Reilly, who taught architecture at Liverpool University from 1904-1933 described this building as "one of the best buildings in the town" with its " cliff-like wall, in a good dark brick, articulated with a row of fine arched windows, and. . . crowned with a strong stone cornice." The new use would also have delighted him.

The apparent strength of the exterior of the warehouse was not borne out by the interior and many of the cast iron beams and brick vaults were cracking or failing. Much of the interior is therefore new but it respects the scale and spirit of the old. Huge access corridors mean allow easy movement of large paintings and objects.

This will be the first centre of conservation regularly open to the public, with a comprehensive educational programme.

The Conservation Centre is at the heart of the redevelopment of the Queen Square part of Liverpool where Neptune Developments plans a hotel and store.

The city is building new Council offices in the former Daily Post and Echo building. It is a "City Challenge" scheme which enabled the Conservation Centre to qualify for an Urban Programme grant of £2.2m.

The cost of the centre is some £7.2m and offers opportunity for a benefactor to find the last £350,000 for the centre's completion.

Private benefaction has already been very generous, surely because it is such an imaginative and also such a sensible scheme for the museums and the city of Liverpool.

If ever there was a case for OFSPORT

SPORT

KEITH WHEATLEY

In the wake of OFWAT, OFTEL and OFGAS should the public expect, nay demand, that the British government gives us OFSPORT?

The intriguing thought comes from Sir Paul Fox, in the wake of Europe's great Ryder Cup victory. We were discussing the sorry fact that Sky TV's monopoly on the TV coverage from Oak Hill meant that no more than 2m British fans saw their team's spine-tingling triumph.

Huge interest was there. At the other end of the electromagnetic spectrum the BBC's sterling Radio Five pumped out nearly eight hours a day of putt-by-putt coverage and saw a big rise in audience figures.

Yet on television the terrestrial broadcasters were restricted to a few seconds news footage of hugs and tears on the 18th green. "I suspect that the last round of singles would have drawn 7m plus viewers if it had been available on either of the BBC channels," mused Fox, once a senior executive in both public service and commercial television and now one Britain's shrewdest observers of sport on the box.

In fairness to the "Auntie BBC", this was not one of those occasions where she clutched her handbag too tight and refused to bid enough for a major sport event. The PGA's European Tour sold this year's Ryder Cup (plus the 1997 and 1999 contests) to Sky as part of a major deal that included many workaday tournaments.

The Corporation's golf producers were frustrated that they were not even offered a highlights package. "The truth is we were never given a chance to bid," said one. "A lot of viewers were disappointed but we'd like them to know that it's not our fault."

Enter OFSPORT? After all, if the UK government feels that the consumer needs a regulator to protect them from overbearing corporations in so many fields, why not the TV allocation of scarce sporting resources? "Do we need a little group of wise men and women set up to deal with these things?" said Fox. "What I wanted to know was why market forces could not work for benefit of the largest consumer groups? After all, in the US the Ryder Cup was shown on NBC, a network channel, despite the existence of dedicated cable sports channels and even one that shows nothing but golf. NBC simply thought the Ryder Cup a big enough audience-grabber to outbid the opposition and broadcast it free.

NBC's attitude to sport is interesting. The company paid $456m (£294m) for the American TV rights to next year's Olympics in Atlanta. With 10 months to go, the network reports advertising sales of $600m and is already in profit. Coca Cola alone has committed $60m, with a 30-second "ad spot" costing up to $500,000. Six weeks ago NBC staged a remarkable coup in securing the Olympic TV rights to both Sydney 2000 and Salt Lake City 2002.

It is worth recounting the story of how they did it. Network boss Dick Ebersol flew to Gothenberg (where the IAFF world championships were under way) from New York on a bunch, and pitched his novel summer/winter Games package to Juan Antonio Samaranch, president of the International Olympic Committee. Samaranch liked the proposal enough to suggest that Ebersol fly direct to Montreal to talk with IOC vice-president and TV specialist Dick Pound. Pound crunched the numbers, liked what he saw, and the deal was done via a conference call back to Gothenberg.

Reuter

Sky high: Ryder Cup win

Of course, the sums involved are beyond the ambit of British TV, but surely the point is that a non-specialist network saw the crucial importance of sport in keeping large audiences.

Fox agrees that the BBC has an obligation to provide major sport as part of its "contract" with the licence-holder. "But they simply don't have the financial resources to go up alongside Sky Sport," he warned.

In his Wheldon Lecture, given last month to the Royal Television Society, Fox considered the problems posed by the protection of "listed" sports events over the next few years. In Britain the Broadcasting Act 1990 gives statutory form to what was previously a voluntary agreement that all citizens should have television access to these. They are: the English and Scottish Cup finals, the Grand National and the Derby, the home Test matches, the Wimbledon finals, the football World Cup and the Olympics.

Yet since the Act only prevents "pay-per-view" coverage of these contests, subscription satellite channels such as Sky are quite able to bid – and exclude partners as they have done with the Ryder Cup. The Football Association's Cup Final deal with the BBC runs out after two more matches. The FA are already in bed with Sky over the Premier League and awash with the broadcaster's money. The Cup Final could sell millions of dishes and subscriptions. Wimbledon is secure with the terrestrial broadcaster until 1999, when the contract with the All England Club expires. Sky have made no secret of its interest and the hugely profitable tournament pumps over £10m ($15.5m) a year back into grass-root tennis, so the organisers could argue that extra cash from Sky would benefit the players. But not the majority viewer (only 20 per cent of homes have Sky).

And what of sports that are not on the "list"? Formula One is addicted to cash and its agreement with BBC1 for the Grand Prix series has only one more year to run. The Sunday afternoon sport of millions of armchair Schumachers may be over in 12 months or so.

Fox is adamant that there is no practical chance of extending the number of protected events. He believes it would simply become a "wish list" if one tried. Formula One, the Open, and the Ryder Cup for example came along too late to be inside the walls of the fort. Yet he is keen that the prohibition against pay-per-view be extended to include satellite broadcasting.

At Brighton last week the Labour conference committed themselves to making that change if they take office. There is a feeling they would like to go further but can see no mechanism. Yet the problem is real enough and, according to Fox, political rather than purely sportsbiz. "At the end of this year there is every likelihood of Frank Bruno being the BBC's sport's personality of the year, the Ryder Cup players taking the team award, and the BBC able to show neither the fight nor the match," reflected Fox. "It brings home the paucity of its offerings."

OPENINGS

ARTS

WASHINGTON
The long and brilliant English career of American painter John Singleton Copley is revealed in an exhibition of 30 masterpieces of history painting and *portraiture (left)*. Copley left the US in 1774 and settled in London, where he spent the last four decades of his life. The centrepiece of the exhibition, which opens on Wednesday, is one of the most stirring history paintings of the 18th century, "The Death of Major Peirson".

LONDON
The comedian Eddie Izzard, who this year ventured into classic theatre as Marlowe's Edward II in Leicester, takes over the Shaftesbury Theatre for two months from Thursday.

Stephen Daldry, artistic director of the Royal Court Theatre, has returned after almost two years to what he is best known for: directing new productions of old plays. His new staging of Ron Hutchinson's 1984 play "Rat in the Skull" opens at the Duke of *York's Theatre on Wednesday*, launching the autumn season of "Royal Court Classics". The production also marks the return of Rufus Sewell, now popular for his TV work in such series as "Middlemarch", to the London stage after two years.

KYOTO
The Kyoto Concert Hall was built to mark the 1200th anniversary of the founding of the city of Kyoto. The Orchestre de Paris, conducted by Semyon Bychkov, will give the opening concert on Sunday, launching a series of 29 inaugural events. Other visiting orchestras in coming weeks include the Vienna Philharmonic with James Levine and the NHK Orchestra with Wolfgang Sawallisch.

PARIS
The over-joyous Zizi Jeanmaire (left) appears in an evening of songs, accompanied by the dancers of Roland Petit's ballet National de Marseille. "Zizi au Zenith" is both title and location. Zizi, in stunning form, will inevitably also deploy those fabulous legs among "ses boys" to remind her myriad fans of what it is to be a star.

Marie McLaughlin stars in a new production of Weill's "Mahagonny" at the Bastille, opening on Saturday. She first sang the role of Jenny three years ago to great acclaim in Geneva. She returns to it in a new production by Graham Vick, designed by Maria Bjornson and conducted by Jeffrey Tate. The cast also includes Felicity Palmer and Kim Begley.

Schoeck shocks the Swiss

Andrew Clark considers the composer's life and work

It all boils down to sex, money and politics. The normally placid waters of Swiss musical life have been disturbed by a new biography of Othmar Schoeck (1886-1957), the greatest composer Switzerland ever produced. The book, written by a young British musicologist, Chris Walton, scratches the shiny surface of Schoeck's reputation. It reveals him as a promiscuous and irresponsible egotist, a man who constantly put self-interest above moral principle.

So what's new? Schoeck was not the first creative artist to combine an appalling personality with extraordinary talent. The significance of Walton's findings is that we can understand the music better by learning the true facts about the man. Previous biographers – people who knew Schoeck personally – were involved in a tacit cover-up about the less palatable aspects of his life. Given the sudden decline in Schoeck performances after his death, negative criticism among his followers and admirers was regarded as heresy. Thanks to Walton, the black-and-white character they portrayed has emerged in much more complex colours.

Publication of the book coincides with a revival of interest in Schoeck's music. There are more performances now than at any time since the 1950s, partly because of a general surge of interest in the conservative music of this century. Also, the generation of people who saw Schoeck as the "last great Romantic" and felt a link between his music and their own youth, is dying away and a new generation is growing up, less inhibited by the past, and ready to make an evaluation based on the quality of the music rather than on vested interests.

Since the early 1980s there has been a steady trickle of Schoeck opera productions in Switzerland, Austria and Germany. Important historical recordings from the archives of Zurich Radio are being released on CD, including one with Schoeck as piano accompanist. And interpreters from outside the German-speaking world are at last showing an interest. A British conductor, Howard Griffiths, has begun to record the choral and orchestral music. Some well-established American singers are involved in a project to record all the Lieder.

It is for his Lieder – works which continued the German Romantic tradition of putting poetry into song – that Schoeck is best remembered. He composed hundreds of settings of Eichendorff, Goethe, Heine, Keller, Mörike and others, many of them sombre and introspective, with a distinctive brand of harmonic astringency. All are testimony to his expert craftsmanship.

But like his idol Hugo Wolf, Schoeck wanted to be more than a "mere" song composer. A handful of other works – notably the opera *Penthesilea* from his avant-garde period, the Cello Concerto from the final years – are truly inspired. But was Schoeck a genius on the level of Strauss and Stravinsky, as previous biographers claimed? No, says Walton. "Schoeck was irrelevant to the mainstream issues of 20th century music". He deserves to be played, but not to be worshipped.

Swiss reaction to the new biography has focused on the sensational aspects. Some newspapers accused Walton of voyeurism, while others happily picked over Schoeck's sex life. Schoeck was boozy, bucolic, ready to bed any girl who fell under the charm of his piano-playing and unconventional personality. Before marrying at the age of 39, he had two long affairs, each of which ended with a burst of creativity and a string of brief liaisons. But Walton nails the rumours about Schoeck's homosexuality and marital infidelity, saying there is no evidence of either.

Other reviewers concentrated on Schoeck's links with Nazi Germany, a touchy subject for all German-speaking Swiss with memories of the war. Like many of his compatriots then and now, Schoeck was a Germanophobe who condemned Nazism but forgot his ideals when money was at stake. He had Nazi friends, he

Othmar Shoeck: conservative music, unconventional personality

accepted *politically-tainted* awards and pursued his career in wartime Germany because he stood to gain financially. It is not surprising that this side of his life had to wait to be aired: Schoeck's first biographer, Hans Corrodi, was himself tarred with the Nazi brush.

Walton concludes that as in the case of Strauss, "the dividing line between political naivety and shrewd self-interest is impossible to discern". Unlike fellow Swiss composers Honegger and Frank Martin, who established themselves abroad, Schoeck preferred to be a big fish in a small pond, conducting choral societies in Zurich and St Gall in the interwar years instead of swimming with the European tide.

Does any of this matter? Well, yes – because, as with so many other composers, Schoeck's life and work were intertwined. *Venus*, his opera about a man infatuated with a statue, was inspired by his love for the young pianist Mary de Senger. The composition of *Vom Fischer un syner Fru* – about a nagging wife who always wants a bigger home – coincided with a period when Schoeck's wife Hilde was constantly complaining about their small Zurich flat.

His avant-garde experiments of the 1920s followed visits to the ISCM festival in Salzburg and to Paris, where he heard the premiere of Stravinsky's *Les Noces*. Schoeck may have been an embittered anti-modernist in later life, but dissonant works like the song-cycle *Lebendig begraben* (1926) show him eager, however briefly, to speak the language of the day. The songs and absolute music of his final years reflect his loneliness, depression and nostalgia for lost youth.

By removing Schoeck's halo, Walton has made him human. The book offers some fascinating nuggets. One of Schoeck's Sudermann settings went down with the Titanic, victim of the careless way in which he lent manuscripts. Although he often conducted *Das Lied von der Erde*, Schoeck likened Mahler to "a gorilla, driven mad by fleas and scratching himself all over". Hilde Schoeck told her husband that Massimilla Doni, the heroine of his penultimate opera, was his "dream woman", because he wanted a Madonna and whore in the same person.

The biography's only weakness is its lack of detailed musical analysis. That was outside the brief of the Oxford doctorate on which it is based. What we need now is an English version and a comprehensive study of the music. With luck, the Schoeck revival has only just begun.

'Othmar Schoeck: Eine Biographie', by Chris Walton. Atlantis Musikbuch-Verlag, Zurich and Mainz: Sfr68. 412pp.

Theatre: class division and political scandal

Small lives, Big Houses

As *The Steward of Christendom* garners acclaim at the Royal Court in London, Sebastian Barry's previous play opens in the Dublin Theatre Festival a year later than intended. It is another fictional reinvention of one of Barry's forebears – a late-Victorian music-hall artiste – but where *The Steward* exhibited a fierce concentration, *The Only True History of Lizzie Finn* does not sprawl so much as lounge.

The play focuses on a world largely ignored by 20th-century Irish drama, that of the rural "Big House". Lizzie, performing in Weston-super-Mare, is wooed in unorthodox, even distracted fashion by a fellow Kerryman returned from the Boer War and haunted by his experiences in Africa. Won over by his "wildness", it is only on her arrival in Ireland that she realises he is of the landlord class, one of those whose rent demands led to her own family's rootlessness.

Barry is more subtle than to render this conflict brutally explicit, delineating instead the gentry's cool reception of Robert Gibson's "dancing woman" and Lizzie's own often frustrated desire to communicate as an equal with the servants. Casual references are made by others to "my man" or "the people", as if the grand folk are above such common humanity, but the new Mrs. Gibson is keenly conscious that she is of those people.

Patrick Mason's staging recreates both the world of "the halls" and of the "Big Houses" at great and stylised length, adding perhaps half-an-hour to the running time as Barry obligingly includes a sequence from Colonel Cody's Wild West Show and two separate showcases for performer Birdy Sweeney's avian impressions.

The production moves at the leisurely pace of an historical novel; life in a Big House was hardly frenetic, as any Chekhov play will attest, but these events do not attain Chekhovian intensity. In a fine social touch, the Gibsons are ostracised not for Lizzie's low origins but because Robert, having lost three brothers in the Transvaal, "crossed to Kruger". However, we are expected to take pleasure in the story rather than the drama, in moments such as Fionnuala Murphy's scene-stealing appearances as the simple-minded maid Theresa.

The poetry of *The Steward* is also much less in evidence. Occasional glittering lines surface with a self-conscious air, and Joan O'Hara's nicely reserved performance as Lady Gibson culminates in a coldly shimmering account of being turned away from the chapel, but this time Barry cares more about his large canvas than linguistic detail.

Lorcan Cranitch finds a skilful path through the several thickets of Robert's character: his class, the life-changing legacy of his African years, the flashes of fire and underlying nobility of spirit. He carries more of the play's weight than he should have to since Alison Deegan's Lizzie is somewhat lightweight; whether by accident or design, she wears a permanent gloss of "performance".

Event the closing scene, mourning Lady Gibson and family retainer Barty, comes over as disquietingly blithe. Its effect is to cheapen the play's ending, implying that social divisions, the underestimated hardships of the gentry in an age of rent strikes and other difficulties can all be overcome by an honest love. It is Barry's misfortune that *Lizzie Finn* should be produced only now that we know he can attain much greater heights and depths.

Ian Shuttleworth

Abbey Theatre Dublin until November 4 (00 3531 878 7222).

Far from ideal husbandry

Salisbury Playhouse is crammed ignobly behind C&A, between Wiltshire County Hall and a multi-storey car park. *Its auditorium, however, has* been smartly refurbished. The last artistic director, Deborah Paige, mounted challenging seasons of work, trumpeted as *success d'éstime* by one theatre critic. Apparently, her programme proved less popular at the box office and with the board. Exit Paige for the Sheffield Crucible.

Enter tyro regional director, 28-year-old Jonathan Church. His first season is bullish in its orthodoxy – Oscar Wilde's *An Ideal Husband*, Miller's *The Crucible*, a *Cinderella* Christmas pantomine, and Ayckbourn's *The Norman Conquests* – but with appealing idiosyncracies: a premiere of a new Jack Shepherd comedy and the audacious entrusting of his *inaugural production to a novice* director, the wry comic performer Nicholas Le Provost. If only one could report that it proves ideal husbandry...

Sir Robert Chilton MP, under-secretary for foreign affairs, is the ideal husband. His lavish house in Grosvenor Square (adorned with icing-sugary pillars – of society? – in Charles Cusick Smith's too *spacious set) his testament to* the stability of his wealth, the steadfastness of his unimpeachable career. But super-bitch Mrs Cheveley arrives from Vienna intent on gaining his support for her fraudulent speculation in the Argentine canal project.

She blackmails him. As a young diplomat, he sold secret cabinet papers abroad to a profiteering baron. He was seduced by a "philosophy of power ... a gospel of gold". With the money he was established and could pursue his political ambitions. "It is your splendid position that makes you so vulnerable", she taunts.

Though we are bemused by the social milieu – on its opening night 100 years ago it held *an amusing mirror up to its* audience which included the Prince of Wales, Balfour, Chamberlain and other cabinet ministers – we are delighted by the resonance of decadent Victoriana in our own sleazy times. But this is not enough to sustain our enthusiasm for a slow-witted production.

The two lead performances disappoint. Rupert Bates' *moustachioed Sir Robert starts* so meekly that the threat of scandal and compromising himself in the eyes of his wife just seem upsetting rather than cataclysmic (the drama, after all, is dependent on the personal and political stakes being high). Elli Garnett as Mrs Cheveley stumbles and stutters. Faltering delivery is anathema to Wilde.

One hopes nerves will settle, because there are some honest performances from Zoe Aldrich as Sir Robert's fragrant wife, the fine Nicholas Boulton as his nonchalant confident Viscount Goring, and a nice comic turn from Gillian Hanna as old Lady Markby.

There is much solemnity to be explored in this darkest of *Wilde's comedies. One hopes* that Church will now pursue his season with as much attention to production achievement, as programming aspiration.

Simon Reade

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 9, 12, 15 *(1.30pm)*, 17

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: Christopher Seaman conducts Bach, Villa-Lobos, R. Strauss and Schumann; 8pm; Oct 13, 14, 15 (3pm)
● The Philadelphia Orchestra: Wolfgang Sawallisch conducts Wagner's "Faust, Overture", "Symphony No.2" and "Rienzi, Overture" and Beethoven's "Symphony No.4": 7.30pm; Oct 11
GALLERIES
Baltimore Museum Tel: (410) 396 6310
● Celebrating Calder: sculpture, jewellery, drawings and tapestries by 20th century artist Alexander Calder; to Jan 7
● Parallels and Precedents: 19th century French art from the George A. Lucas Collection. The exhibition highlights the parallels between the Lucas Collection and permanent collections in the BMA and the Walters Art Gallery with more than 100 pieces by artists such as Monet, Matisse and Pissaro; to Oct 15

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Götterdämmerung: By Wagner. Conducted by Jiří Kout and directed by Götz Friedrich, this performance concludes the complete cycle; 5pm; Oct 15
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 13
● Siegfried: by Wagner. Conducted by Jiří Kout and directed by Götz Friedrich; 5.30pm; Oct 12

■ LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● London Mozart Players: with pianist Cécile Ousset. Matthias Bamert conducts Mozart, Fauré, Saint-Saens and Bizet; 7.45pm; Oct 11
Royal Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with pianist András Schiff. Kurt Sanderling conducts Beethoven's "Piano Concerto No.1" and "Piano Concerto No.5 (Emperor)"; 7.30pm; Oct 11
● The London Philharmonic: with pianist Rolf Hind. Franz Welser-Möst conducts Sibelius's "Finlandia" and "Symphony No.1" and Ruder's "Piano Concerto"; 7.30pm; Oct 10
● The London Philharmonic: with soprano Rosalind Plowright and the London Philharmonic Choir. Roger Norrington conducts Beethoven, Gluck, Weber, Berlioz and Spontini; 7.30pm; Oct 15
GALLERIES
Photographers Gallery Tel: (0171) 831 1772
● Appeal to this Age: photographs of the American Civil Rights Movement by artists such as Gordon Parks and James Karales; to Oct 14
Royal Academy Tel: (0171) 439 7438
● Africa, the Art of the Continent: extensive exhibition with objects dating from 27,000 BC to the present; to Jan 21
Saatchi Tel: (0171) 624 8299
● Young British Artists V: works by Kerry Stewart, Glenn Brown, Keith Coventry and Hadrian Pigott; to Dec 30
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● The Marriage of Figaro: by Mozart. Conducted by Bernard Haitink/David Syrus and directed by Patrick Young. Soloists include Felicity Lott/Cheryl Studer. Andrea Rost/Barbara Bonney and Robin Leggate/Ryland Davies; 7pm; Oct *10, 13, 16*
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 9, 12, 17
THEATRE
Donmar Warehouse Tel: (0171) 369 1732
● The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Nov 5

■ LOS ANGELES

GALLERIES
Museum of Contemporary Art Tel: (213) 626 6222
● Division of Labour, Women's Work in Contemporary Art: paintings by male and female artists are used to explore issues of gender in artmaking; to Jan 7

■ MADRID

GALLERIES
Fundación Arte y Technologica Tel: (041) 522 6645
● Incorporeo: installation by Daniel *Conogar; to Oct 29*

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● *Lincoln Center Jazz Orchestra:* Wynton Marsalis conducts a programme that includes Ellington, Monk and Mingus; 8pm; Oct 16
Carnegie Hall Tel: (212) 247 7800
● New Orleans to Now: with the Carnegie Hall Jazz Band, this *concert* gives an overview of the history of jazz from early New Orleans through the swing years of bebop; 8pm; Oct 12
● The Met Orchestra: with bass baritone Bryn Terfel. James Levine conducts Mahler's "Kindertoten lieder" and "Symphony No.6"; 3pm; Oct 15
GALLERIES
Guggenheim Tel: (212) 423 3500
● Claes Oldenburg: an anthology of works by one of the key figures of Pop art in the 1960's. This exhibition includes a new piece entitled "Shuttlecock"; to Jan 14
Metropolitan
● Rembrandt/Not Rembrandt: 22 Rembrandt fakes are compared with 18 genuine articles; to Jan 7
Museum of Modern Art Tel: (212) 708 9480
● Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how all things can represent *objects of expression*; from Oct 12 to Jan 16

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 *50*
● José van Dam: bass baritone accompanied by pianist Maciej Pikulski plays Schubert's "Le Voyage d'Hiver"; 8.30pm; Oct 14
● National Orchestra of France: with bass baritone José van Dam. Serge *Baudo conducts Berlioz*, Delibes, Massenet and Wagner; 8.30pm; Oct 17
● Symphony Orchestra of Taipei: with pianist Nelson Freire. Cjiu-Sen Chen conducts Rachmaninov's "Concerto for Piano and Orchestra No.3" and Stravinsky's "L'Oiseau de Feu"; 8.30pm; Oct 9
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Man Ray: recreation of the atmosphere of Ray's post world war two workshop where he produced various furniture. This exhibition consists of paintings, drawings and photographs from the workshop archives; to Jan 29
● Surrealistic Designs: vision and technique. About 60 masterpieces by artists such as Ernst, Masson, Brauner, Dali, Miró and Picasso; to Nov 27

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Horacio Gutiérrez. Raymond Leppard conducts Brahms' "Tragic Overture" and "Piano Concerto No.1" and Schubert's "Symphony No.4"; 7.30pm; Oct 12, 13, 14
● Washington Chamber Symphony: Stephen Simon conducts Vivaldi, Argento and Haydn; 7.30pm; Oct 13, 14
GALLERIES
National Gallery Tel: (202) 737 4215
● A Great Heritage: Renaissance and Baroque drawings from Chatsworth consisting of 105 works by artists such as Rembrandt, van Dyck and Raphael; to Dec 31
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by the Washington Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17

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Financial Times Business Tonight

Samuel Brittan

A rescue from the dustbin of history

At frequent intervals, various policy instruments are heavily promoted among the financial talking classes and equally heavily opposed, only to be quietly forgotten as the next fashion comes to dominate.

One of the most recent of such fashions is currency boards as an instrument for monetary stability. So far from being a new invention, or the idea of a mad professor, they are among the most venerable of financial institutions. They originated in the British empire and arose from the desire of colonial administrations to tie local currencies firmly to sterling while economising on the use of sterling notes and coins. The first embryonic currency board was created in Mauritius in 1849.

As colonies gained independence in the 1960s it looked as if currency boards would be relegated to the dustbin of history. Indeed nearly all the newly independent countries proudly replaced their boards by central banks. But history has its funny twists and recently there has been a revival of interest. Such boards are suggested as a model for countries wanting to tie their currencies securely to that of another more stable currency, such as the dollar or the D-Mark, which then acts as an anchor for financial stability. The argument is that a link via a currency board is better able to stand up to speculative pressures than exchange-rate pegs administered by central banks as prevailed under the postwar Bretton Woods arrangements or under the European monetary system.

The Estonian currency board, established in 1992, is a notable recent example. The country has been much the most successful of the former Soviet republics; and the Estonian kroon has maintained its value against the mark even when established currencies such as sterling, the dollar and the franc have depreciated.

Currency board advocacy received a fresh wind after the run on the Mexican peso early this year, which forced a severe depreciation of that currency, accompanied by one of the all-too-familiar international rescue packages. At the same time the Argentine peso, which has been linked to the dollar by arrangements very like a currency board, maintained its value, despite some anxious moments. Yet Mexico still declines to set up a currency board. A few years ago the Bundesbank indignantly rejected any thought of a currency board for the eastern Länder as an insulting suggestion of colonial status. The Czech government made the same decision for its currency.

Currency boards*

Country/territory	Date of establishment	Population (July 1994)	Currency peg
Argentina	1991	33,912,994	US dollar
Bermuda	1915	61,158	US dollar
Brunei	1967	284,653	Singapore dollar
Cayman Islands	1972	31,790	US dollar
Estonia	1992	1,616,882	D-Mark
Falkland Islands	1899	2,261	Sterling
Faroe Islands	1940	48,427	Danish krone
Gibraltar	1927	31,684	Sterling
Hong Kong	1983	5,548,754	US dollar
Lithuania	1994	3,848,389	US dollar

*As of July 1995 Source: Williamson

A modern currency board is designed to limit the issue of base money. The latter is defined as notes and coins (often called "cash") and may also include some of the reserves held by commercial banks at the board. This base money is issued only in return for the chosen reserve currency. The theoretical attraction of a currency board is that – unlike a central bank – it will always be able to convert its cash liabilities into the reserve currency, as they are covered at least one-for-one. This is in contrast to a central bank which may want to shadow, say, the D-Mark but will be unlikely to have sufficient hard currency reserves to guarantee convertibility at the chosen exchange rate.

The use of hard currency in Latin America and the former Soviet union provides sufficient pointers

Unlike central banks, currency boards cannot finance government deficits by printing money. They have little or no discretion in monetary policy to misuse for inflationary purposes. Moreover any incipient balance of payments deficit or surplus is automatically taken care of by changes in the monetary base.

One paradox is that, although currency boards are an extreme example of a fixed exchange rate, they have been promoted vigorously by economists such as Sir Alan Walters and Steve Hanke who have been the most vigorous opponents of other kinds of exchange rate peg. Yet they have actively promoted currency boards in a number of different countries, even in preference to floating exchange rates.

It is inherently unlikely that currency boards are either a panacea or deserve the derision which was poured on them in the 1960s. We should all therefore be grateful for a cool analytical study by John Williamson, *What Role for Currency Boards?* just published by the Washington-based Institute for International Economics (11 Dupont Circle, NW, DC 20036).

Logically the first question to ask is whether there should be an exchange rate link of any kind or whether some kind of floating is preferable. If an exchange rate link is chosen, the next question is: what form it should take?

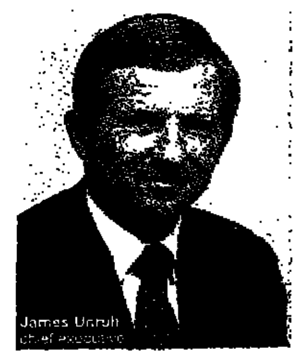
Williamson points out that there are several alternative forms of strong currency peg. These include complete unification, when another currency replaces a domestic currency as occured in East Germany in *1990* and *is still supposed to* occur in parts of the European Union in 1999.

Another whole-hog approach is "dollarisation", that is the replacement of the domestic currency by the stronger currency, as gradually occurred in Panama. Short of that, there is the acceptance of a parallel currency which circulates legally alongside the domestic one, as the dollar circulates alongside the peso in the Argentine. As this example shows a *parallel* currency *can* exist alongside a currency board, as was normally the case in the British colonies with sterling.

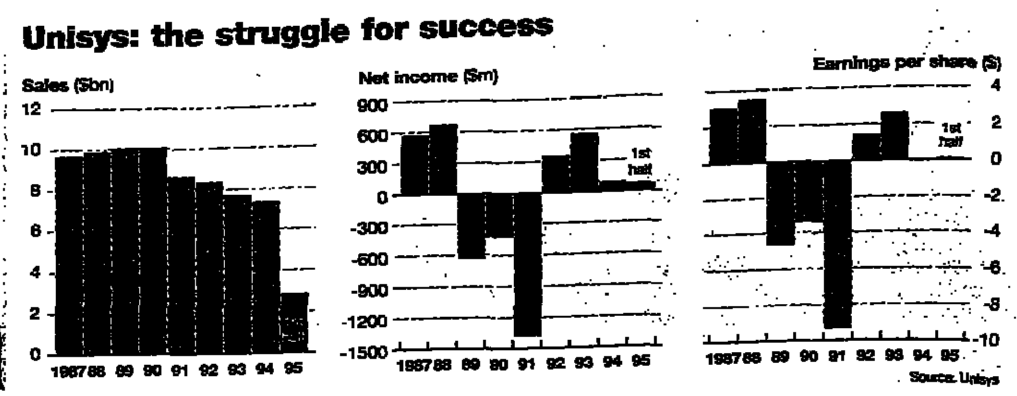
Williamson is clearly worried that any rigid exchange rate *link could* make a country uncompetitive. He is therefore against currency boards for countries which are still far from completely open economies and where devaluation can still gain some short-term advantages.

He regards currency boards as basically instruments for a very small and very open economy. He believes they were desirable for Estonia and may be for the Kyrgyz Republic, Namibia and Palestine. He does not believe they should be tried in larger countries such as Mexico, Russia and the Ukraine. I am not nearly so sure about Mexico and the Ukraine, which might nevertheless benefit. The main difference between us is not over the mechanics of currency boards but on the desirability of a competitive exchange rate compared with using the exchange rate as an anchor for financial stability. Rather than rehearse this whole debate, I wish Williamson had gone into detail on the various kinds of exchange rate link he has listed and their pros and cons.

It is worth turning to history and common sense where economic analysis leads to too many permutations and combinations to be tractable. Where a country decides to go for a firm exchange rate link, a currency board will be most attractive where the reserve or anchor currency already has a strong hold and/or where the local currency is distrusted. The widespread use of the dollar in many parts of Latin America and of various kinds of hard currency in the former Soviet empire provide sufficient pointers of the direction in which their policies should move.



Unisys: the struggle for success



Unisys is following its peers in restructuring, says **Louise Kehoe**

Convert to a new philosophy

Unisys last week became the latest information technology company to adopt a "small is better" philosophy when it announced plans to split its operations into three independent business units.

Unisys said that its systems and services businesses will be able to "compete more effectively and react more quickly . . . to growth opportunities".

The restructuring follows similar moves at Digital Equipment, AT&T and Control Data as some of the largest information technology companies seek ways to compete more effectively with specialists such as Sun Microsystems in the computer workstation market and Compaq Computer in personal computers.

Unisys's restructuring marks a "defining transition point" for the company, says Mr James Unruh, chairman and chief executive. It also represents a reversal of the premise upon which Unisys was formed, nine years ago, when greater mass was seen as a strength in the computer industry.

Created in 1986 by the merger of of Burroughs and Sperry, two of the oldest names in the industry, Unisys set out with heady ambitions to challenge IBM's world leadership in the computer market.

Today, however, Unisys is less than one tenth the size of IBM. With revenues last year of about $6bn (£3.8bn), after the sale of its defence unit, Unisys reported a modest profit on operations. However, analysts predict that it will break even, at best, this year.

Unisys has, nonetheless, become a leader among large computer companies in confronting fundamental technology changes that have enabled low-cost networked computers to undermine the profitability of the traditional mainframe computer business.

The company moved in advance of most of its peers in the computer industry to seek new growth opportunities in "information services" to offset a steady decline in revenues from its traditional mainframe computers.

Mr James Unruh, chairman and chief executive, expects the restructuring to "significantly step up profit and revenue growth next year" while reducing annual costs by about $400m.

However, the changes are not without cost. Unisys will *take a "significant" but as yet* undetermined charge against earnings in the fourth quarter, ending in December. Also still vague is the impact on the workforce, which has already been cut by about 40 per cent over the past five years.

Unisys will split its operations into three business units. The largest, with annual revenues of about $3bn, will incorporate all the hardware and software products. The other two units, which together account for an additional $3bn in annual revenues, will focus on information services.

"Our traditional computer business provided much of the resource and stability that allowed our services initiatives to develop and grow," Mr Unruh says. It is, however, the services businesses, and in particular the "information consulting and integration services" division upon which Unisys is pinning its hopes.

This segment, which includes outsourcing – taking over the management and operation of a client's information technology systems; and systems integration, which involves putting together computers and software to create information technology systems, has been growing at more than 20 per cent a year.

The new global support services division includes traditional maintenance services, which are declining as a result of improvements in the reliability of computer technology. The growth opportunity in this sector is in network integration, or building large networks of desktop computers.

As independent business units, the services divisions will no longer carry the burden of product development costs. The restructuring will also give each business unit its own sales force.

Mr Unruh says: "We have come a long way in building these services businesses" since the company started to transform itself into an information services company five years ago.

The restructuring moves Unisys away from "matrix management" in which functional groups such as sales and marketing serve product groups in a complex interlocking management scheme.

Explaining the shift, Mr Unruh said that the advantages of matrix management, such as eliminating duplication of effort in different product groups, are outweighed by the need for greater focus and speed within business units.

"The faster the cycle times of a business – the product life cycles, the time required to respond to customers, and so on – the less you can afford to have a matrix structure, because matrix tends to slow things down," he says.

After the restructuring "we will be faster and more aggressive in executing our strategy of providing technology, applying technology and servicing technology in focused markets," he adds. Others in the information technology industry, such as Digital Equipment, have also recently come to the conclusion that matrix management is unworkable when competing against smaller, highly focused companies.

IBM also gave the "smaller is better" philosophy a try when it began to dismantle its highly integrated operations in the early 1990s under the leadership of Mr John Akers who *planned to turn IBM into* "a federation of increasingly independent business units".

Mr Lou Gerstner, who succeeded Mr Akers in April 1993, has reversed this trend, instead seeking greater collaboration among *IBM's* product groups. The computer industry leader is, nonetheless, focused increasingly on information services and realigning its sales force.

Unisys's experience would suggest that this is not enough, and that as IBM's management turns from cutting costs to building new businesses for profitable growth, it may need to revert to Mr Akers' plan.

Yet Unisys does not appear ready to take the more drastic step of spinning off some of its operations to give them true independence. Options that the restructuring creates do, however, according to Mr Unruh, include "complementary acquisitions, selective divestiture, new partnerships and other alliances".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

NTT fibre network target offers best example for Europe

From Mr Jonathan Solomon.

Sir, Your report, "NTT to open local network" (September 29), may be underestimating the significance of the statement by Mr Masashi Kojima, president of NTT, in Tokyo on September 28. Mr Kojima said NTT was looking to the future of Japan and not to the past history of the US.

NTT is the only leading national telecoms carrier publicly committed to delivering fibre to the home by 2010. While the precise terms of access are not yet announced, by providing open access on equal and least cost (I assume) terms to everyone as to NTT's own service entities, NTT's network, particularly its local distribution network, could become the vital national asset over which an exponential growth in information services could take place, raising Japan's productivity and quality of life to new levels on a universal basis earlier than elsewhere in the world.

In the broadband environment, local wireline competition for local wireline competition's sake, where universal service has already been achieved and where low-cost wireless access is increasingly available, is not the optimal solution from the standpoint of the allocation of national resources.

Instead of asking Mr Kojima to look at the ever-changing US model, it may pay Europe to pause and examine the Japanese way before rushing Gadarene-like to follow yesterday's narrow-band models in the US.

Jonathan Solomon,
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UK

Gap in risk coverage needs to be filled

From Mr P.N.E. Ceurvorst.

Sir, Your insurance correspondent, Ralph Atkins, reported on plans by some insurance companies to exclude pollution claims from may commercial insurance policies ("Alarm over possible curbs on pollution insurance", October 2). He quoted a spokesperson for the Association of Insurance and Risk Managers as saying that "it would be virtually impossible to create a set of words that doesn't produce enormous gaps in coverage...".

In relation to pollution, the risk manager's role is to control all pollution exposures and he should make no distinction between "gradual" and "sudden and accidental" pollution. As insurance is not widely available for pollution which occurs gradually over time, there already exists an enormous gap in coverage.

Cologne Re would like to see UK insurance companies excluding pollution from the premises section of general liability insurance policies and specifically including it in a pollution section or separate stand-alone environmental impairment liability policy. Such cover would not be restricted to "sudden and accidental" pollution, but would provide coverage on a site-specific basis for all unexpected pollution other than pre-existing pollution or pollution resulting from normal undisrupted operations and would respond on a "claims made" basis.

With this approach, policyholders would enjoy more certainty about what is covered by their insurance policies.

P.N.E. Ceurvorst,
casualty underwriter,
The Cologne Reinsurance Co,
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London EC3N 1DB, UK

A talent for coining a Euro-currency name

From Mr Ernest Lamers.

Sir, After Mr Romano Subiotto's proposals for a name for the new single currency (Letters, October 3) I hesitate to come forward with an alternative suggestion.

To look to one of the founding fathers of the European Union, Jean Monnet, is undoubtedly a good idea. But it seems to me that perhaps it lacked somewhat in geographical scope and historical perspective. Should we go back a bit further to our common roots in ancient Greece and classical Rome?

In those times there was a currency that certainly could be considered as hard – in fact, it was worth some 26kg of silver, with a name that is easily pronounceable in all languages and which has an undeniably up-beat connotation.

Mesdames, messieurs, ladies and gentlemen, meine damen und herren, I give you the "Talent".

Ernest Lamers,
26 rue des Genêts,
L-8131 Bridel, Luxembourg

The ancient Greeks had the best answer

From Mr Peter Beck.

Sir, The recent articles on the fallibility of forecasters and your leading article ("Economics as futurology", October 5) show yet again that Apollo's curse is still upon modern forecasters. It will be recalled that in Greek mythology, Apollo gave Cassandra, King Priam's daughter, the power to foresee the future, but later cursed her that no-one would believe her.

That is why so often consensus forecasts prove to be wrong and some maverick forecaster, ignored and perhaps vilified by the rest, can get it right. Perhaps the ancient Greeks knew more about human behaviour and feedback than we today.

Peter Beck,
Stone House, The Green,
Frant, Tunbridge Wells, UK

Actually, the writing gets better

From Mr Mark Constantine.

Sir, We note with appropriate humility and shame your comments in the Observer column ("Wheel of fortune", October 2) regarding the International Finance Corporation's abuse of the English language. Your writer quotes from the first page of our recently issued study *Privatisation: Principles and Practice*. Were we to do it over again, we would refrain from over-extended metaphors and unwieldy sentence structure.

We do hope you read on though. What follows our initial transgression is 83 pages of useful analysis based on our unique experience in the field, and...our English improves too.

Mark Constantine,
manager, corporate relations,
International Finance Corporation,
1850 I Street, NW,
Washington, DC 2433, US

Perfect site

From Jean Granoux.

Sir, I fully agree with your editorial "Stonehenge" (September 25) that this is a beautiful site. As an overseas visitor two years ago, I realised that the situation there was less than ideal. I believe it would be sensible to include Avebury in the single national project you mention. The whole place is the perfect location for something like a regional park.

On the other hand, I have reservations about your idea of the Stonehenge site being "a serious candidate for private finance, given the commercial potential". Heaven knows what would become of it as a privately financed project. One Disneyland seems to be enough for Europe.

More seriously, I think the area encompassing Stonehenge and Avebury must not be privatised. It does not belong to English Heritage, nor to anybody. It belongs to us all. So please refrain from sponsoring the project of a private development.

Jean Granoux,
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FINANCIAL TIMES

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Monday October 9 1995

Bosnian Realpolitik

The world should hold its breath at midnight tonight to see whether the guns fall silent in Bosnia. Ceasefires have come and gone before. This time, however, there may be a real chance for peace because, for the first time since the war began, none of the parties seriously expects to achieve more on the battlefield than at the negotiating table.

All previous peace plans required big territorial concessions from the Bosnian Serbs, which they were unwilling to make. The Bosnian government, knowing this, did not take the plans very seriously, accepting them only to buy time and international support so that it could redress the military balance.

In August, a new military balance was established by the Croatian blitzkrieg in Krajina and the joint Croatian-Bosnian offensive in north-west Bosnia. As a result the division proposed by the Contact Group (49 per cent of Bosnia for the Serbs, 51 per cent for the Croat-Moslem federation) now corresponds roughly to shares already held. That makes the latest US peace initiative, based on the same division, more credible than its predecessors.

Any hope of lasting peace rests on the fact that both the main parties are acutely dependent on external support, and that their respective backers now seem ready to cut a deal. Serbia's president, Slobodan Milosevic, has set clear limits to the support Bosnian or Croatian Serbs can expect from Belgrade. Croatia's president, Franjo Tudjman, who controls the flow of weapons to the Bosnian government and whose forces are the only ones capable of seizing much territory from the Serbs, has no reason to risk jeopardising his gains by a further offensive.

The US administration is now decisively involved in the peace process and will discourage any attempt by the Bosnian government to undermine it. The wild card remains the risk that Bosnian Moslems will ignore this, relying on the US Congress for continued support.

This peace, if it happens, will be easy to attack on moral grounds, based as it is on de facto partition and acceptance of "ethnic cleansing". It will also be very hard to negotiate. The Bosnian government and the US will do their best to breathe some reality into Bosnia's fictional unity, while the Serb and probably also Croat leaderships will seek to consolidate partition. Moslems and Serbs also have territorial demands, even within the proposed percentages.

Yet there is no credible alternative in sight. In the long transatlantic argument over the handling of this war, both sides have been proved right. The Europeans were right to say the balance of forces could not be changed by air power alone. The US was right in thinking it could be changed by a combination of air power with properly equipped local ground forces – only it turned out those forces were Croatian not Bosnian. While European and US politicians argued themselves hoarse about the arms embargo on Bosnia, the US administration quietly violated the embargo on Croatia with ultimately devastating effect.

Time to cut

The ministers and central bank governors of the Group of Seven leading industrial countries are in confident, almost complacent, mood. Meeting in Washington this weekend, they "welcomed the orderly reversal" in currency movements following their April meeting and agreed that "in most countries conditions for continued growth and employment gains are in place and inflation is well under control or declining".

Yet they did single out one area, fiscal policy, for action, emphasising "that further substantial deficit reduction over the medium-term . . . is essential". Why they were right to do so is explained by a lucid analysis of savings, investment and real interest rates in the group of 10 – or rather 11 – published this morning.

The study concludes that the real rate of interest has risen by about a percentage point, to 4 per cent, over the past 35 years – principally because of a decline of about 5 percentage points in the national savings rates of the G10 countries. The main explanation is a reduction in their public savings, but social insurance coverage, including provision of unfunded public pensions, has also lowered private savings.

At 4 per cent real interest rates, a pound 25 years from now is equivalent to less than 40 pence today – a strong inducement to "short-termism". High real interest rates also dig debt traps. It is little wonder that the ratio of the net public debt of the G10 countries to gross domestic product doubled, to 41.3 per cent, between the 1970s and 1994. When real interest rates are much above the rate of economic growth, a government must run a significant primary budget surplus (revenues, less non-interest expenditures) if the debt ratio is to be stable. But only five members of the G10 ran primary budget surpluses in 1994.

Countries with poor records on inflation pay interest-rate premiums against the risk of high inflation. But the integration of financial markets spreads the effects of fiscal deficits across borders. Moreover, the main global problem has been the fiscal sloppiness of industrial countries. The net impact of emerging economies on the global demand for capital has been relatively minor.

Reductions in fiscal deficits are urgent. The aim, suggests the study, should be to lower the ratio of debt to GDP in normal times, which would allow countries to accommodate adverse shocks. Moreover, it is public spending that should be cut, since the positive effect on national savings would be greater than that of higher taxes. Action should also be concerted, because otherwise each country is tempted to exploit the frugality of others. Long-term co-ordination of this sort is a better role for the G7 than short-term fine tuning.

A serious blow

The defection of the Tory MP Mr Alan Howarth has ensured a dismal start for this week's Conservative conference in Blackpool. It marks the first time that a sitting Conservative MP has switched directly to Labour. The implications stretch well beyond the reduction in Mr John Major's fragile parliamentary majority and the immediate, acute embarrassment for the prime minister as he begins to shape his general election campaign.

Mr Howarth's announcement underlines once again how Mr Tony Blair is changing the terms of trade in British politics. It offers a potent warning to the government of the dangers of abandoning to Labour the political centre ground. If he is to re-establish a credible chance of winning the election, Mr Major must ignore the voices in Blackpool this week calling for a lurch to the right.

Mr Brian Mawhinney, the party chairman, characterised Mr Howarth's decision as eccentric and bizarre, while others in the Tory hierarchy privately offered a still harsher judgment on Mr Howarth's state of mind and motives. But such personal attacks serve only to underline the confusion in the government.

Mr Howarth has long made no secret of the fact that his views were out of tune with many of the government's policies, and he has probably moved further to the left than most of his colleagues in the party's One Nation tradition. There were few signs yesterday that his announcement will open the floodgates to a spate of similar desertions.

Among colleagues, however, he is regarded as both thoughtful and intelligent. More than would admit it publicly share his basic argument that the Conservatives should combine a necessarily hard-nosed approach to economic management and free markets with a deeper commitment to social cohesion and a more generous attitude to the disadvantaged. His analysis that the government appears listless and lacks strategic direction is still more widely shared on the Tory back benches.

Mr Major is likely to hear a different message in Blackpool. The noisiest demands of party activists will be for cuts in public spending and taxation, a harsher regime for criminals and a more sharply sceptical stance in Britain's relations with Brussels. Ministers are set to respond with what they promise will be an unprecedented raft of popular initiatives. The prime minister, however, should not mistake the mood of the conference for that of the nation.

There is an important debate to be had in British politics in the run-up to the election: about the size of the state, about the remit of government, about reform of the welfare system and about Britain's role in Europe. But the Conservative party will engage effectively in that debate only if it sets out a clear-sighted vision from the centre-right of politics. During the 1980s Labour tried to win successive elections from the left. It abandoned Middle England and lost. If Mr Major moves too far to the right, he will make the same mistake. The beneficiary will be Mr Blair.

Alain Juppé faces a tough week as his personal and political problems mount, says **David Buchan**

No shelter from the storm

Like the litter now piling up on top of Paris dustbins which have been sealed to prevent terrorists using them as bomb receptacles, Mr Alain Juppé, the prime minister, has a mess of problems sitting on his desk.

These problems – personal, political, economic – have reached that worrying stage where they have begun to interreact.

On Friday, the Bank of France had to take the macro-economically unwelcome step of tightening lending to stem the franc's slide, caused chiefly by rumours that a housing scandal might force the prime minister to resign.

To try to head off a legal probe of allegations that, as a past deputy mayor of Paris, he acted improperly to house himself and his family cheaply and lavishly at the city's expense, Mr Juppé promised on Friday to move himself and his children out of their Paris flats.

To gaullist MPs worried about his government's general lack of achievement in its first five months, Mr Juppé also pledged over the weekend to "improve myself".

But this week will bring little respite. French unions will tomorrow stage their biggest one-day public-sector strike for 10 years. They are protesting at Mr Juppé's plan to freeze public pay rates next year, and are clearly emboldened by the plummeting popularity of Mr Juppé and of Mr Jacques Chirac, the president.

The strike will hardly cheer the financial markets, whose confidence in the Juppé government's unity and firmness of purpose had already been shaken. In late August came the stormy departure of the free-marketeer Mr Alain Madelin from the finance ministry. Last month first brought public wavering over deregulation of France Télécom, and then a draft budget for 1996 that postponed all real tax and welfare reform to 1997.

Subsequently Mr Jean Arthuis, the new finance minister, has been at odds with Mr Juppé over staff appointments and, more important, over whether to continue a special government subsidy to car buyers. In the event, despite proclaiming public spending stringency, Mr Juppé got his way as usual.

The slowness of change in France, which has more of a tradition of periodic revolution of than continuous reform, is now proving a handicap. The country is having difficulty in changing both its public finances and ethics fast enough to satisfy the international creditors and investors on which it increasingly depends. The power of the latter was ruefully acknowledged at the weekend by Mr Juppé who complained to gaullist MPs at the weekend about "ces gnomes de l'ombre" (these gnomes in the shadows), which some willingly misheard as "ces gnomes de Londres" (London).

The recent wave of judicial probes into French companies has perhaps somewhat inured French, if not foreign, public opinion to corruption allegations, partly because they have so far caused few heads to roll. After being put under formal investigation for corruption, Mr Pierre Suard had to leave Alcatel, but that was because the judge forbade him contact with Alcatel, and there are about a dozen top French businessmen who, despite being investigated by magistrates, are still running their groups without serious effect on their share prices.

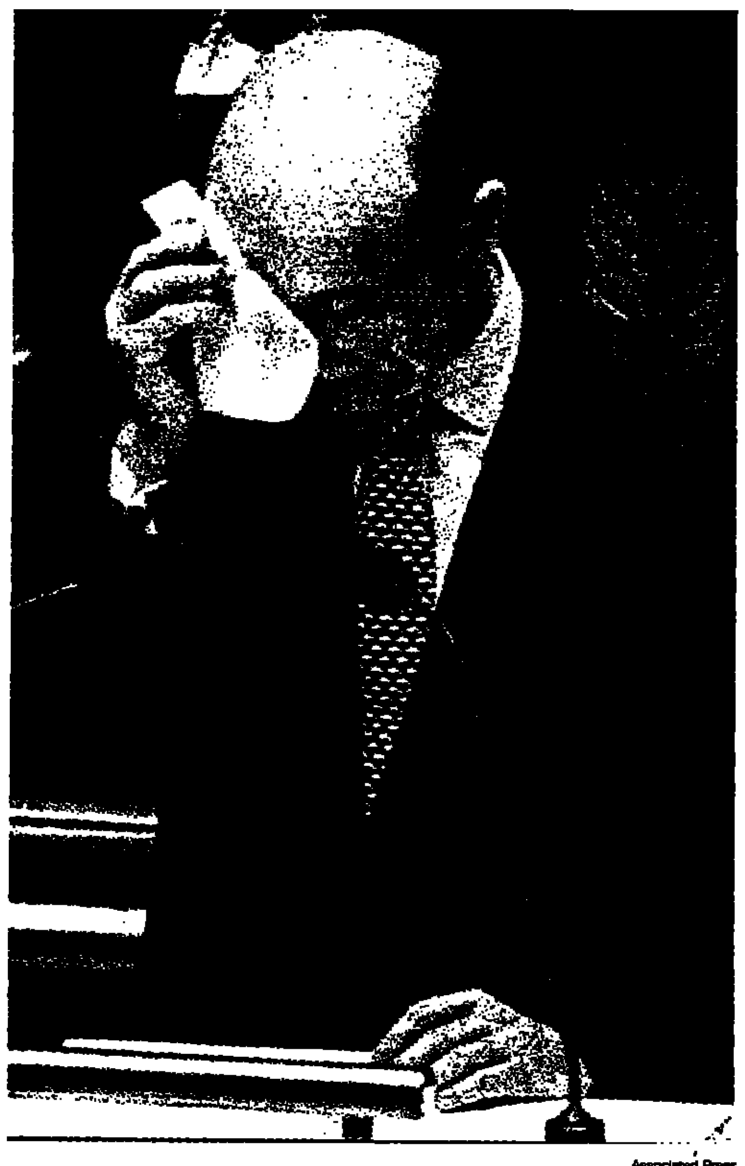
By contrast, the markets have rightly spotted the dire consequences *if* – and it is still a very big *if* – Mr Juppé is formally investigated for allegedly abusing his past municipal position for private gain.

The principle that ministers must resign if a magistrate or prosecutor subjects them to formal investigation was started with Mr Bernard Tapie under the Socialists, and was continued by former gaullist prime minister Edouard Balladur, who lost three ministers that way. Mr Chirac reaffirmed the principle during his election campaign, and could hardly condone an exception for Mr Juppé.

In this light, it is odd that nearly four months elapsed between the original revelations by the Canard Enchainé, the satirical weekly, about the Juppé family's housing arrangements and the prime minister's announcement that he and his children were moving out of their controversial flats. But Mr Juppé evidently felt little urge or need to end a tradition dating back to the 1860s.

At the behest of Baron Eugène Haussmann, the city of Paris bought property in the area of Mr Juppé's present-day flat with a view to pulling it down to do some boulevard-extending. Along came the 1870 Prussian invasion and the Paris Commune revolution, and the city found itself too broke to do anything but hang on to the flats and rent them to those it chose.

It is perhaps probable that Mr Juppé will now avoid any formal investigation, although the Paris prosecutor has still to rule on this.



Associated Press

Under pressure: Alain Juppé pledged at the weekend to 'improve myself'

But he is still considered to have acted too tardily to avoid damage to his political reputation.

The charge of "too little, too late" has, however, been levelled even more widely at Mr Juppé's economic programme, aimed at readying France for European monetary union by reducing its total deficits to 3 per cent by 1997, from slightly above 5 per cent this year. So late has this challenge been left that it is now enormous. It not only involves reducing the budget deficit by 10 per cent or more in each of the next two years and halving the social security deficit in 1996 before wiping it out in 1997, but also the biggest change for 50 years in the way French welfare is funded. This requires shifting the bulk of welfare funding from payroll levies to a strengthened tax base.

Not surprisingly, Mr Juppé feels he needs time to pave the way for such reform. But time is his most precious commodity. His critics complain he is using too much of it in launching a "grand national debate" this autumn on tax and welfare reform which will only result in legislation next year.

To those like Mr Jean Gandois, president of the Patronat employers federation, who have accused the government of cowardice in tackling spending, Mr Juppé has pointed to his decisions in the 1996 budget to cut military spending and public pay. But the defence budget cuts, bearing mainly on equipment, are relatively minor this year, awaiting big programme decisions next year, while the 1996 total wage bill for the civil service and public sector will in fact grow by 3.2 per cent. This is mainly because of the carry-over effect of this year's pay rises.

It therefore seems perverse of the unions to strike on Tuesday, particularly when they admit that since the 1992-93 recession, public-sector wages have outpaced those in the private sector. But public-sector workers claim that over a longer period, they have lost ground to their private counterparts, which they now need to make up.

They also have wider worries. One is that if they do not take a stand on pay, the government will move to increase their pension contributions and reduce their pension benefits as it did for private employees in 1993. Another concern for public utility workers is that the government will give in to pressure from Brussels for faster deregulation of France Télécom, Electricité de France, Gaz de France, and the SNCF railways. Finally, some unions, notably Force Ouvrière are dead set against any radical change in the social security system which at present they co-manage with employers.

If he can weather his own potential judicial hazards, Mr Juppé is probably tough and capable enough to rise to these challenges. What he and the country need, however, as an absolute minimum is two years of reasonable economic growth, unhindered by extraneous monetary crises.

The Bank of France publicly and privately endorses his deficit-cutting strategy as credible, and will clearly seize on the first chance to lower interest rates again. France has shown, through its handsome trade surplus, that it can – just – afford to pay an interest rate premium for hanging on to the D-Mark. It may, however, be unable to pay any extra premium for hanging on to Mr Juppé.

Caught in the long shadow of slavery

MICHAEL PROWSE on AMERICA

Opinion polls reveal a startling difference in the way white and black Americans reacted to the O.J. Simpson trial: more than 60 per cent of whites thought Mr Simpson was guilty as charged while fully two thirds of blacks were convinced of his innocence. Given a perceptual chasm of this magnitude, his acquittal at the hands of a predominantly black jury was perhaps inevitable.

Yet I was still surprised by the scenes of elation that greeted his release. A picture in the Washington Post showed female law students at Howard University – a black institution – in a state of near-ecstasy. Why did they feel this way about a man who, at the very least, is a wife-batterer? Why was gender so much less important than race?

One possible answer focuses on black distrust of the criminal justice system. Nearly a third of black men aged 20 to 29 are reckoned to be in prison, on parole or under some other form of judicial supervision. This compares with 7 per cent of whites and 12 per cent of Hispanics. Many blacks do not believe such a discrepancy merely reflects differing propensities to commit crimes. The black incarceration rate is soaring, they believe, because police and prosecutors pursue blacks more vigorously than other racial groups.

There is some evidence, reported in the Wall Street Journal last week, that predominantly black inner-city juries are responding by refusing to convict black defendants. In a phenomenon known as "jury nullification" they ignore the evidence and acquit defendants to signal their broader distrust of the judicial system. Some pundits regard the Simpson verdict as just the most visible symptom of this trend: in the minds of many blacks it was not Mr Simpson who was on trial but the Los Angeles police department. The jury reached the right conclusion – that the police are not to be trusted.

But while distrust of the judicial system certainly played a role, it was not the whole story. Attitudes toward the trial reflect a deeper racial divide. Blacks have made progress since the passage of civil rights legislation in the early 1960s. They are graduating from college in ever greater numbers and starting to penetrate prestigious professions such as medicine and law. Black women, in particular, are closing the income gap with white women.

Yet the overall picture is less encouraging. Segregation remains a fact of daily life. Blacks and whites still live in different residential areas; 70 per cent of black children attend predominantly black schools, not far short of the percentage in the late 1960s. Blacks are three times as likely to live in poverty as whites and twice as likely to be unemployed. They earn only two thirds as much as whites. Two thirds of black children are born out of wedlock against about a quarter of whites. Blacks are 13 per cent of the population, yet account for a third of Aids cases.

The discrepancies puzzle social scientists. The great strength of American society is supposedly its ability to assimilate peoples of every conceivable race and background. Waves of immigrants – Irish, Italian, Jewish, Latin American and Asian – arrived with nothing. Each group faced discrimination and hostility at first, yet managed to prosper within a few decades. Why, then, do so many native-born blacks fail to realise the American dream?

One recently mooted explanation is that blacks lack "social capital". In his book *Trust* (Free Press, New York, $25), Francis Fukuyama of the Rand Corporation argues that blacks do poorly relative to other groups *not* because they are mistrusted by whites but because they mistrust each other. He points out that minority groups typically form tightly knit and supportive communities. Asians, for example, frequently pool savings in order to support fledgling entrepreneurs and provide informal welfare services for families down on their luck. They also deal with delinquent teenagers before they reach the criminal justice system.

Blacks do much less to help each other. Indeed, Mr Fukuyama argues that the black underclass is one of the most atomised societies in human history. The blame can hardly be placed on traditional African culture which embeds individuals firmly within a supportive social group. It lies instead, he suggests, with the system of slavery endorsed by America's revered founding fathers. This evil institution "did more than rob African-Americans of their individual dignity; it robbed them of their social cohesiveness as well by discouraging co-operative behaviour".

Mr Fukuyama's thesis is but one of countless possible explanations for the relatively poor economic performance of blacks. But there is something plausible in the notion that blacks are adrift because they have lost their own culture, yet cannot bring themselves to embrace the competitive individualism of the wider society. Such alienation could easily explain the sharp racial divide revealed by opinion polls as well as the smouldering resentment blacks feel for the whites who created their conundrum.

The cultural explanation suggests there can be no "quick fixes". Blacks hold their future in their own hands. They have to build the communal support mechanisms that stand other minority groups in such good stead. And they have to reconcile themselves to the capitalist values of a society that, given a free choice, they might never have chosen.

OBSERVER

Pulled up by the bootlaces

■ Add Tom Bata, whose family controls the eponymous shoe company, to the list of forceful entrepreneurs who cannot bear to loosen their grip. Bata, now in his early 80s, has seen off the company's first non-family chief executive, as well as the chief financial officer and top marketing man.

All three joined Bata less than 18 months ago, in the hope of being allowed to reinvigorate the paternalistic shoemaker, which has factories and shops in more than 60 countries.

Tom Bata was expected to spend more time on the tennis court and doing good works in his native Czech Republic, which he fled in the 1930s, after he named Stan Heath as chief executive. But the old man still keeps an office at Bata's Toronto headquarters and – according to one former executive – "he's somewhere in the company every day".

Bata appears to have convinced outside directors on the company's main board that Heath's proposed sweeping changes were too much for the family to swallow.

Heath and his colleagues hoped that these outsiders, who include former bosses of Volkswagen and Royal Dutch Shell, would support them. They didn't.

As one executive puts it, Tom Bata "is a charismatic personality who exerts an awful lot of personal authority".

A lighter touch

■ Sparks are flying in the compact but ferociously competitive disposable lighter industry. René Frigiere, 47, has been snapped up by Bic, the market leader, after resigning from Swedish Match, the Volvo subsidiary and Bic's arch-rival.

Frigiere, who worked for the Geneva-based lighter maker for 17 years, and latterly was head of research and development, apparently felt that his talents were not fully appreciated there.

He hopes to have no such trouble at Bic, the French group – where his first few weeks with the company are being spent in deep debriefing.

Benson hedges

■ No wonder the punchiest speech at a seminar last week aboard the royal yacht Britannia was made by Peter Benson, head of privatisation at Coopers & Lybrand.

"Are Greek accounts reliable?" was Benson's title. As the Britannia steamed out of Piraeus bearing Greek government officials and British bankers, Benson launched an impassioned plea for Greek companies to exercise greater compliance with international accounting practices.

He spoke from the heart. In 1990 Coopers was hired by the Greek government to carry out an audit of Olympic Airways, the struggling state carrier; the airline's accounts department hadn't produced a balance sheet for several years. Despite persistent lobbying, Coopers has yet to receive a drachma in payment.

Fuzzy logic

■ There's nothing quite like the warm, fuzzy feeling got from the winning of an international gong.

Euromoney's finance minister of the year award has just been bestowed upon Roberto De Ocampo, finance minister of the Philippines. The former World Bank official was congratulated for his "healing touch," for having "cured inflation," and for having generally transformed the economy.

How cruel, the vagaries of economic indices. Within days of being thus singled out, the Philippines' inflation leaped from 8.4 per cent to 11.8 per cent, while the stockmarket fell two per cent. Unkind souls began muttering about the government's economic strategy.

Maybe the award itself is jinxed? The 1988 title, for instance, went to former UK chancellor Nigel (now Lord) Lawson – at the height of the infamous boom that bears his name and a year before he left office.

De Ocampo must now be wondering if he dare attend Euromoney's Washington awards ceremony tomorrow and thereby, perhaps, kiss farewell to all hopes of a speedy return to single-digit inflation.

Hopping mad

■ Promising a crackdown on alcohol advertising on TV, Turkey's government regulators have ticked off Marmara Beer for commercials that supposedly encourage excessive alcohol consumption. The government's Anatolia agency said the bureaucrats have warned that "every broadcasting company should be sensitive to this issue because of the increasing number of drug addicts and alcoholics in Turkey".

Hold on a minute. Marmara Beer markets itself as Turkey's leading *non-alcohol* brand. Zealous beasts, watchdogs.

The Financial Times

100 years ago

Mrs Langtry's jewels

Bankers are watching with great interest the course of Mrs Langtry's claim against the Union Bank for the value of the jewels alleged to have been abstracted from the institution's safe-keeping by means of a forged order. The case is of considerable interest on its own account, but its chief importance lies in the fact that it will settle, if brought to trial, some essential points in connection with the deposit of valuables in banks.

Banks accept custody of valuables at the owner's risk. they do not investigate the contents. It is alleged that somebody wrote on Mrs Langtry's notepaper a cleverly-forged order and thus obtained from the bank the box of jewellery. Is the bank liable for the value?

It must be kept in mind that the bank received into its charge merely a box. What it contained was in Mrs Langtry's knowledge, but not in the bank's. A box might contain nothing more than a half-brick, but asserted to be crammed with diamonds and it seems unfair that the bank should have to stand up to be shot at in this manner.

FINANCIAL TIMES
Monday October 9 1995

Nordic nations seek to join EU Schengen area

Norway and Iceland aim to stretch border-free zone to north

By Emma Tucker in Brussels and Hugh Carnegy in Stockholm

Norway and Iceland, which have *long resisted the embrace of the* European Union, are seeking to stretch Europe's frontier-free zone to the north by joining the Schengen agreement.

The EU is a stickler for rules and regulations, and the Schengen Treaty says only EU members need apply. But it seems exceptions could be made to preserve the Nordic Passport Union, which has made Norway, Finland, Sweden, Denmark and Iceland a frontier-free zone of their own for four decades.

The problem is that, as non-EU members, Norway and Iceland cannot become full members of "Schengenland", as it is known in Brussels.

But without Norwegian and Icelandic participation, EU members Sweden, Finland and Denmark face an awkward dilemma.

The three would like to join the Schengen pact, whose current members are France, Germany, Belgium, the Netherlands, Lux*embourg, Spain and Portugal.* But to do so, an external EU frontier would have to be erected along the thinly policed Swedish-Norwegian border, which in some places runs through villages, farms and even the back gardens of private houses.

"It would be totally out of the question to create such a frontier with Norway," according to Mr Anders Olander, Sweden's chief negotiator on Schengen.

The formula, according to Belgium, which holds the Schengen presidency until the end of the year, would be to give Norway and Iceland "active participation" in all Schengen debates, but no right to vote.

"Does this mean that Norway and Iceland would lose some sovereignty?" said a Belgian official. "I think not. Denmark, Finland and Sweden have a great loyalty to their Nordic partners and would seek to look after their interests."

The Nordic countries are keen to join the Schengen pact even though the present members have still to sort out their own differences.

Belgium has condemned France for maintaining border controls, while other members have been irritated by the lack of co-operation from French police.

Discussion will intensify later this month at a meeting of the Schengen executive committee in Brussels.

The first task will be to measure the willingness of other Schengen members to accommodate the Nordic countries.

So far, Schengen members appear co-operative. But once political agreement is reached, work will have to begin on the more technical aspects, such as cross-border police co-operation, a common visa policy and linking Norway and Iceland to Schengen's central intelligence network.

Algerian bombers say Chirac knew of their role

By Andrew Jack in Paris

President Jacques Chirac received a letter two months ago from the Algerian GIA Armed Islamic Group claiming responsibility for terrorist bombings in France since late July, it emerged yesterday.

In the first formal claim for the attacks to be taken seriously, the GIA said in a statement to a Cairo news agency that its current campaign of violence would continue "until Islam can conquer France by willingness or by force". It said it had written to the president in August.

Investigators suggested that an additional explosion which occurred early yesterday on a railway line in the Paris suburb of Marly-le-Roi was unrelated to the other attacks. They said the explosives, packed into a fire extinguisher and detonated manually, were not intended to kill, unlike the gas canister bombs packed with nails and bolts used with timing devices in most of the recent attacks.

There have been at least eight bombings or terrorist attacks injuring more than 100 people since seven people died in an explosion on an RER commuter train in central Paris on July 25.

The wave of bombings – along with the controversy over nuclear testing and handling of the country's economic situation – has burdened the first few months of the government appointed by Mr Chirac.

Meanwhile, two anti-terrorist judges were assigned to investigate the bombing on Friday night outside the Maison Blanche metro station in Paris which injured 13 people and bore the hallmarks of the other recent attacks.

A telephone caller to a French radio station claimed on Friday that the Maison Blanche bombing was carried out on behalf of the "GIA general command". The caller paid tribute to Mr Khaled Kelkal, the young Algerian suspected of links to several of the bombings, who was shot dead by gendarmes just over a week ago.

The claim by the GIA on Saturday, which some French police sources said had been authenticated, criticised France's policy of support for the military-backed regime ruling Algeria.

The GIA said it had already sent a secret letter to Mr Chirac on August, asking him to convert to Islam and giving him a chance to reconsider the country's position with Algeria, but he refused.

The Elysée Palace, the president's office, refused to comment yesterday on the letter. But in a move which may further irritate the GIA, it emerged that Mr Chirac intends to meet General Liamine Zeroual, the president of Algeria, in New York this month.

No shelter from storm, Page 21

THE LEX COLUMN

Goodbye gearing

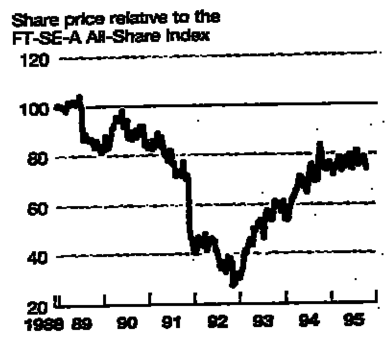
Investors have long used balance-sheet gearing as the main yardstick of a company's indebtedness. In the past, this was appropriate as the balance sheet offered a reasonable guide to a company's value. But balance sheets are now scarcely relevant as a measure of corporate worth. As the world economy shifts from manufacturing to services, value is increasingly the product of human brains. Companies like Microsoft, Disney and Marks & Spencer owe their success to intellectual property, media creations and brands. Unlike physical property or machines, such products of the mind do not typically appear on balance sheets. Even in manufacturing, inflation and arbitrary depreciation policies make balance sheets a misleading guide to value.

If balance-sheet gearing is no longer useful, what yardsticks should be employed instead? One option is to look at interest cover – either operating profit or operating cash flow divided by interest payments. Such ratios measure how easy it is for companies to service their debts. Different levels of interest cover are appropriate for different types of company; clearly cyclicals need higher ratios than utilities.

Another option is to divide a company's debt by its market capitalisation. Market capitalisation overcomes the inadequacies of balance-sheet measures of equity. But in other ways, this ratio is similar to traditional gearing: a higher figure means shareholders' returns are more leveraged to the enterprise's underlying performance and so more risky. In future, debt/market capitalisation and interest cover will be Lex's preferred yardsticks.

British Steel

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Gucci

Gucci's transformation from fashion victim to investment icon has been alarmingly fast. Only 10 months after reversing three years of losses, the company is about to be floated off on a valuation of up to \$1.2bn. The timing looks auspicious. Gucci is a text book recovery story. Mismanaged for decades, the company lost control of its distribution, devalued its brand name, and built up an enormous cost base. With the flamboyant Gucci family being replaced by more austere merchant bankers, its performance should at least become more predictable. And profits are on a strong upwards trend.

Of course, the company has benefited from a weak lira, since one-third of its production costs are in Italy. A reversal would hurt. Gucci has to tread a fine line in pursuing sales volumes without cheapening its brand name. It is also dependent on consumer spending trends. Nonetheless, sales per square foot more than doubled last year, despite continuing recession in Europe. Post-flotation, Gucci will be debt free and poised to build up Asian sales, where it has far lower exposure than competitors such as Louis Vuitton. With Asia the fastest growing market for luxury goods, Gucci's catch-up potential is large.

The issue price has not been fixed. But at the middle of the stated range, Gucci would be trading on a racy 17 times expected earnings for the year to January 1997. Nonetheless, it looks sober by comparison with other luxury listings such as Hermès and Bulgari. Investors should do well, at least until Investcorp decides to part with its remaining 70 per cent stake.

European steel

The outlook for Europe's steel industry has turned rusty. While volumes are holding up, prices of hot rolled coil, which accounts for 60 per cent of total production, have started to weaken. With six weeks of excess stock in the pipeline, France's Usinor Sacilor and Belgium's Cockerill-Sambre have already cut production and Germany's Thyssen is expected to follow. British Steel has decided to step up deliveries instead, but its order book is patchy.

This all suggests the steel cycle peaked this summer – 12 to 18 months earlier than investors had been led to expect. The industry, led by British Steel chairman Mr Brian Moffat, has argued that the next downturn will not be as damaging as the last. Not only have costs been cut, but privatisation of Usinor and others has led to a more commercial marketplace. However, a look at the US, where minimills like Nucor have cut prices of hot rolled coil by 20 per cent in six *months, suggests the cycle will be as* severe as ever. Ford, for instance, is already threatening to import American steel to its European plants.

If profits fall in 1996, steel stocks do not look as cheap as current multiples suggest. Usinor and British Steel may be on four to five times this year's earnings, but these could jump to 12 to 15 times within two years. British Steel's executive directors may have called the top of the market when they cashed in four fifths of their share options in July.

Unipart

Cynics may say that employee capitalism is the dream of dewy-eyed liberals. But Unipart, the UK automotive parts distributor which is 46 per cent owned by employees, is at least one counter-example. Since its management buy-out from Rover in 1987, it has introduced an innovative shop floor ethos which is bringing results. Managers teach at "Unipart University" where staff learn the latest production processes. A computer complex has been built for employees to explore delivery and production improvements. The result? Production time and costs have been cut significantly. Unlike NFC, the transport group which had similar ideals, Unipart has gone from strength to strength.

All this make Rover's attempt to regain control of the company worrying. True, Unipart's main business is the distribution of Rover parts, so there is some logic in combining the operations. Most other car manufacturers own the companies that distribute their parts. Nevertheless, there is a trend against such vertical integration. For example, Fiat and Chrysler are contracting out distribution to focus on core operations. Moreover, even without owning Unipart, Rover still has considerable control through its contracts over matters such as pricing its parts.

A Rover takeover would eliminate employees' share in Unipart's success, threatening its highly-productive ethos. One hopes Rover will not use strong-arm tactics to make it succumb and that institutional investors, which hold the balance of shares, will not sell employees' interests short.

Defection deals severe blow to UK Tory party conference

By Robert Shrimsley, in London

Mr Alan Howarth, the UK Conservative MP who is joining the opposition Labour party, said yesterday that up to 40 Tories shared his feelings that the Conservatives had moved too far to the right. The defection of Mr Howarth on the eve of the Conservatives' annual conference was a severe blow to Mr John Major, prime minister, and reduces his majority in the House of Commons from nine to seven.

Mr Howarth, MP for Stratford-upon-Avon in the Midlands and a former education minister, is the first Conservative MP to cross the House to the Labour party. He has been a regular rebel in the Conservative party on disability legislation and other plans to cut entitlement to unemployment benefit. He announced his decision to switch parties on Saturday after first approaching Mr Tony Blair, Labour leader, nearly two weeks ago.

His decision shattered the prime minister's hope that he had finally mastered the delicate balancing act of appeasing both wings of his party. In a masterstroke of timing by Labour's tacticians, Mr Howarth's defection was delayed until it could inflict maximum damage, wrecking Conservative plans to use this week's party conference to relaunch themselves as a united and confident party.

Mr Major hoped the conference would be a platform for a number of policy initiatives including a pledge to keep personal and corporate taxes in Britain "the lowest in Europe" and to launch a new drive for a transatlantic single market between Europe and the US. Mr Brian Mawhinney, party chairman, had heralded more new policy announcements than any conference for 10 years.

Cabinet ministers attempted to play down the defection. Mrs Gillian Shephard, education secretary, said it was "vindictive". Mr Michael Heseltine, deputy prime minister, accused Mr Howarth of being "out of touch". Mr Mawhinney urged him to resign and stand in a by-election – a call Mr Howarth rejected.

Mr Major spoke to Mr Howarth yesterday morning. He told him he was "disappointed" and felt he had "misjudged the mood of the party". The prime minister later issued a statement saying "nothing would distract us from the task ahead".

In a letter to his constituency, Mr Howarth, 51, said the government seemed increasingly divisive and uncaring. He accused it of "arrogance and harshness" and said Labour under Mr Blair was more of a one-nation party and offered far more hope of social justice. He attacked right-wing calls for tax cuts while benefits have been reduced and while teachers were being sacked.

Right-wing demands for "significant tax cuts" in the next Budget were repeated yesterday by the Conservative Way Forward faction.

Centrists flock to Labour leader's banner, Page 6

Milan warrants threaten Italian merger

Continued from Page 1

over of almost L40,000bn. The credibility of Gemina as a vehicle for the takeover has been dented by the revelation late last month of continuing serious losses at RCS.

Limited explanations about the merger, coupled with news of new losses at Gemina and among its subsidiaries, caused a sharp fall in its shares. Since the merger announcement the shares have fallen 20 per cent to almost L740, while Ferfin has dropped 15 per cent to L950.

Even before Milan magistrates took their action, questions were being raised over whether the share price calculations for the deal remained valid.

The Milan magistrates are understood to be investigating whether the Gemina management was concealing the true nature of the group's balance sheet, and whether the information released about Gemina in its 1994 and 1995 half year accounts was misleading to the public.

Those at Gemina affected by the warrants are Mr Giampiero Pesenti, the chairman and head of the Italmobiliare-Italcementi group; Mr Francesco Paolo Mattioli, deputy chairman and finance director of Fiat; Mr Felice Vitali, the managing-director.

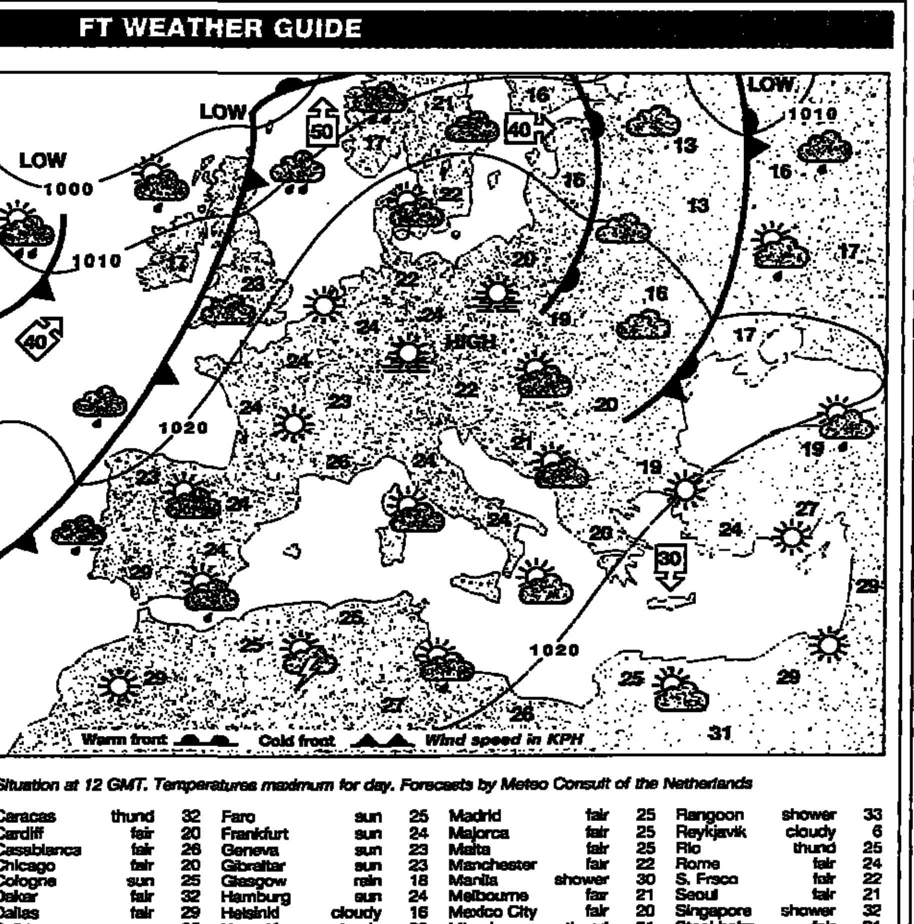
FT WEATHER GUIDE

Europe today

High pressure over central Europe will bring lots of sunshine to western Europe and the eastern UK. It will be warm with afternoon temperatures ranging from 23C in south-east England to 26C in France. However, some places in southern Germany, the Czech Republic and Poland will start foggy with hazy sunshine in the afternoon. Denmark and Sweden will be warm, with maximum temperatures between 19C-22C. A cold front will cause cloud and lingering light rain in the western UK, but this will be followed by clearing and cooler conditions in Ireland. Southern Europe will have sunny spells, but showers are possible in south-eastern parts of Spain and in Sicily.

Five-day forecast

It will continue to be warm in France and Spain, but a weak front will bring more cloud and slightly cooler conditions to the Low Countries, Denmark, Sweden and Germany. In central Europe, high pressure will persist, causing a mixture of sunshine and fog. The UK will have rather changeable conditions with rain and high winds in the north-west. The south-east will stay mostly dry and mild.
The southern Mediterranean, including south-east Spain, will have more showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	21	Caracas	thund	32	Faro	sun	25	Madrid	fair	25	Rangoon	shower	33
	Celsius		Belfast	shower	16	Cardiff	fair	20	Frankfurt	sun	24	Majorca	fair	25	Reykjavik	cloudy	6
Abu Dhabi	sun	35	Belgrade	fair	22	Casablanca	fair	26	Geneva	sun	23	Malta	fair	25	Rio	thund	25
Accra	cloudy	31	Berlin	sun	24	Chicago	fair	20	Gibraltar	sun	23	Manchester	fair	22	Rome	fair	24
Algiers	fair	27	Bermuda	fair	29	Cologne	sun	25	Glasgow	rain	18	Manila	shower	30	S. Frsco	fair	22
Amsterdam	sun	22	Bogota	fair	21	Dakar	fair	32	Hamburg	sun	24	Melbourne	fair	21	Seoul	fair	21
Athens	fair	21	Bombay	fair	33	Dallas	fair	29	Helsinki	cloudy	16	Mexico City	fair	20	Singapore	shower	32
Atlanta	fair	23	Brussels	sun	24	Delhi	sun	35	Hong Kong	cloudy	28	Miami	thund	31	Stockholm	fair	21
B. Aires	fair	19	Budapest	fair	23	Dubai	sun	36	Honolulu	fair	31	Milan	sun	24	Strasbourg	fair	24
B.ham	fair	22	C.hagen	sun	20	Dublin	shower	18	Istanbul	fair	19	Montreal	fair	15	Sydney	fair	21
Bangkok	thund	32	Cairo	sun	29	Dubrovnik	sun	23	Jakarta	fair	32	Moscow	shower	12	Tangier	sun	26
Barcelona	fair	23	Cape Town	fair	19	Edinburgh	shower	18	Jersey	sun	21	Munich	sun	22	Tel Aviv	sun	29
									Karachi	sun	34	Nairobi	fair	26	Tokyo	fair	21
									Kuwait	sun	37	Naples	fair	25	Toronto	sun	18
									L. Angeles	fair	25	Nassau	thund	32	Vancouver	rain	14
									Las Palmas	fair	27	New York	sun	20	Venice	sun	22
									Lima	cloudy	20	Nice	sun	23	Vienna	fair	21
									Lisbon	fair	25	Nicosia	sun	28	Warsaw	fair	22
									London	sun	24	Oslo	fair	19	Washington	sun	22
									Lux.bourg	sun	22	Paris	sun	25	Wellington	rain	11
									Lyon	fair	24	Perth	fair	19	Winnipeg	thund	16
									Madeira	shower	24	Prague	fair	22	Zurich	sun	22